E. C. No. 496

ESTIMATES COMMITTEE (1967-68)

NINTH REPORT

FOURTH LOK SABHA

MINISTRY OF INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS

INDUSTRIAL LICENSING

LOK SABHA SECRETARIAT
NEW DELHI
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CORRIGENDA

To

Ninth Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Industrial Development & Company Affairs - Industrial Licensing

Page 11, para 1.27, line 11, for 'th' read 'the'.
Page 16, para 2.2, line 19, Delete 'the' before 'another'.
Page 18, para 2.5, line 10, for 'very' read 'every'.
Page 19, para 2.7(iii), line 1, for 'and' read 'an'.
Page 20, para 2.9, line 9, for 'nd' read 'and'.
Page 22, para 2.16, Delete the last line and substitute 'country on sound economic lines'.
Page 23, para 2.19, item 2, for 'Non-forrous metals' read 'Non-ferrous metals'.
Page 26, para 2.23, line 1, for 'Industry' read 'Industrial Development and Company Affairs'.
Page 34, para 2.42, line 7, Delete 'a'.
Page 43, para 2.53, S.No.8, for 'e c' read 'etc.'.
Page 44, para 2.54, line 17, for 'hight-lighting' read 'highlighting'.
Page 47, para 2.58, line 3, for 'well' read 'will'.
Page 52, para 2.64, line 1, for 'cncluding' read 'concluding'.
Page 53, para 2.67, line 16, for 'sacrified' read 'sacrificed'.
Page 54, para 2.69, line 10, for 'if' read 'of'.

contd...

Page 57, para 2.77, line 5, Delete 'during evidence'.
Page 60, line 16, for 'propesat' read 'preposal'.
Page 65, para 2.97, line 6, for 'are' read 'or are'.
Page 66, para 2.101, line 2, for 'he' read 'the'.
Page 66, para 2.101, line 4, for 'total' read 'totalling'.
Page 68, para 2.108, col. 5 of the Table, for 'Percentage' read 'Percentage of'.
Page 74, para 2.120, line 4, for 'met' read 'meet'.
Page 74, para 2.121, line 12, for 'Licence' read 'Licencee'.
Page 74, footnote, line 1, for 'data' read 'date'.
Page 76, para 2.124, line 5, for 'elactrical' read 'electrical'.
Page 76, para 2.124, line 21, for 'intens' read 'intents'.
Page 77, para 2.126, line 5 from bottom, for 'concernta' read 'concerned'.
Page 78, para 2.126, line 2, Insert 'on competitive basis. The applications' before 'may'.
Page 78, para 2.127, line 12, for 'esonomic' read 'economic'.
Page 92, para 2.159, line 11, frombottom, for 'bisic' read 'basic'.
Page 93, para 2.160, lines 1-2, for 'pro-ction' read 'production'.
Page 94, line 4, for 'shauld' read 'should'.
Page 94, para 2.162, line 2, for 'exery' read 'every'.

contd...

Page 120, para 2.214, item 6, for 'Unisal' read 'Universal'.
Page 120, para 2.217, last line, delete 'from'.
Page 126, line 11 from bottom, for 'Fait' read 'Fiat'.
Page 129, para 2.235, lines 4-5, Insert the following: 'per cent but thereafter imports were completely banned due to'.
Page 137, para 3.12, line 7, for 'one' read 'on'.
Page 137, para 3.13, lines 12-13, Delete the words 'concerned and where no such plans exist to the existing capacity of the scheduled industry'.
Page 137, line 17, for 'approval' read 'approved'.
Page 140, line 2, Insert 'of' before 'this'.
Page 142, para 3.28, item 5, against Miscellaneous for '11' read '12'.
Page 145, In the heading between paras 3.38 and 3.39 for 'failing' read 'falling'.
Page 148, para 3.45(ii), line 2, for 'exempt' read 'exempted'.
Page 148, para 3.47, line 7, for 'they' read 'the'.
Page 149, In the heading between paras 3.50 and 3.51, for 'Free' read 'Fée'.
Page 153, para 3.65, line 11, for 'appilcations' read 'applications'.
Page 153, para 3.65, line 16, for 'comperative' read 'comparative'.
Page 153, para 3.65, line 25, for 'te' read 'to'.
Page 154, para 3.67, line 19, for 'Industry' read 'Industrial Development and Company Affairs'.

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Page 158, para 3.77, line 5, for 'Industry' read 'Industrial Development and Company Affairs'.
Page 159, para 3.79, line 9, for 'as' before 7 years, read 'of'.
Page 160, para 3.83, In the table under col. 4, for '18' read '183'.
Page 161, para 3.84, line 3, for 'has' read 'have'.
Page 161, para 3.86, line 8, for 'ad' read 'and'.
Page 162, para 3.89, line 2, for 'taget' read 'target'.
Page 165, para 3.94, line 3, for 'started' read 'stated'.
Page 168, para 3.102, line 4, for 'Industry' read 'Industrial Development and Company Affairs'.
Page 169, para 3.105, line 10, for 'Industry' read 'Industrial Development and Company Affairs'.
Page 170, para 3.107, line 11, for 'secrutiny' read 'scrutiny'.
Page 172, para 3.111, line 9, for 'implimentation' read 'implementation'.
Page 173, para 3.115, line 8, Insert 'of' after 'therefore'.
Page 174, para 3.119, line 2 from bottom, Delete 'of'.
Page 175, para 3.123, line 10, for 'patential' read 'potential'.
Page 176, para 3.124, line 5, for 'wateful' read 'wasteful'.
Page 176, para 3.124, line 2 from bottom, for 'excepted' read 'exempted'.
Page 176, para 3.124, line 2 from bottom, for 'licencsing' read 'licensing'.
Page 178, para 3.129, line 5, Insert 'Act' after 'Industries'.

contd...

Page 182, para 3.136, line 3, for 'leters' read 'letters'.
Page 182, para 3.136, line 3, for 'infractuous' read 'infructuous'.
Page 183, para 3.139, line 1, for 'hormay' read 'normal'.
Page 186, para 3.146, line 2, for 'wish' read 'wise'.
Page 187, para 3.146, line 2, for 'for' read 'or'.
Page 190, line 5, for 'Industry' read 'Industrial Development & Company Affairs'.
Page 191, line 3, for 'cosider' read 'consider'.
Page 191, para 3.161, lines 8-9, for 'line 8' read 'line 9' and for 'line 9' read 'line 8.'
Page 192, para 3.166, last line, for 'cmpletely' read 'completely'.
Page 194, para 3.173, line 1, for 'four' read 'for'.
Page 195, para 3.175, last line, Insert 'of' after 'location'.
Page 196, line 1, for 'propects' read 'prospects'.
Page 196, para 3.176, line 6, for 'ingrediant' read 'ingredient'.
Page 201, para 4.4, line 1, for 'attachement' read 'attachment'.
Page 203, para 4.7, line 7 from bottmm, for 'Directorate General' read 'Directorate General of Technical'.
Page 203, para 4.8, line 2, for 'Industry' read 'Industrial Development and Company Affairs'.
Page 203, para 4.8, line 4, for 'consits' read 'consists'.
Page 206, line 1, for 'iiPort' read 'Import'.

contd....

Page 218, para 4.36(2), line 1, for 'lecence' read 'licence'.
Page 235, para 6.5, line 7, for 'proir' read 'prior'.
Page 237, para 6.14, line 5, for 'Industry' read 'Industrial Development and Company Affairs'.
Page 243, para 7.3, line 7, for 'prduction' read 'production'.
Page 246, para 7.9, line 8, for 'appointed management' read 'management appointed'.
Page 246, para 7.10, line7, for 'infructious read 'infructuous'.
Page 247, para 7.13, line 8, for 'furtbher' read 'further'.
Page 248, para 7.19, line 3, for 'cares' read 'cars'.
Page 249, para 7.20, line 8, for 'Governmnt' read 'Government'.
Page 262, para 8.7, line 4, for 'tehnical' read 'technical'.
Page 262, para 8.9, line 2, for 'tenning' read 'tanning'.
Page 263, para 8.13, line 1, for 'irectorate' read 'Directorate'.
Page 281, para 10.17, line 2, for 'held' read 'hold'.
Page 282, para 10.19, line 11, for 'tken' read 'taken'.
Page 325, under Appendix V, for 'para 2.9' read 'para 2.92'.
Page 342, under Appendix IX, for 'para 3.84' read 'para 3.94'.
Page 385, line 9 from bottom, for 'after' read 'offer'.
Page 389, line 19 from bottom, Delete '?'

contd...

Page 394, line 12 from bottom, for 'howeer' read 'however'.
Page 490, line 8 from bottom, for 'alrtady' read 'already'.
Page 401, line 23, for 'verying' read 'varying'.
Page 402, line 13 from bottom, for 'registation' read 'registration'.
Page 405, line 15 from bottom, for 'follow of' read 'follow up'.
Page 407, line 16, for 'expert' read 'export'.
Page 412, line 3 from bottom, for 'obsolute' read 'obsolete'.
Page 414, line 3, for 'eluminated' read 'eliminate'.

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(1967-68)

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Shri B. B. Tewari—*Deputy Secretary.*
Shri G. D. Sharma—*Under Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report on the Ministry of Industrial Development and Company Affairs—Industrial Licensing.

2. The subject of the Report was examined by the Estimates Committee (1966-67) and necessary information obtained and evidence taken by them. That Committee, however, could not finalise their Report due to the sudden dissolution of the Lok Sabha on the 3rd March, 1967. The Estimates Committee (1967-68) have perused the minutes of evidence and have come to their own conclusions which have been embodied in the Report.

3. The previous Committee (1966-67) took evidence of the Ministry of Industrial Development and Company Affairs and other concerned Ministries on the 4th, 5th, 6th and 7th October, 1966. The Committee wish to express their thanks to the Secretary, Ministry of Industrial Development and Company Affairs; Secretary, Ministry of Commerce; Additional Secretary, Ministry of Finance; Joint Secretary, Planning Commission; Joint Secretary of the then Ministry of Supply, Technical Development and Materials Planning (representing D.G.T.D.) and Economic Adviser, Ministry of Industrial Development and Company Affairs, for placing before them the material and information they wanted in connection with the examination of the estimates.

4. They also wish to express their thanks to Shri V. B. Gandhi, M.P.; Shri Babubhai M. Chinai, M.P.; Prof. B. R. Shenoy, Director of University School of Social Science, Gujarat University, Ahmedabad; Shri J. R. D. Tata; Shri R. B. Amin, President, Federation of Indian Chambers of Commerce and Industry; Dr. B. N. Ganguli, Pro-Vice-Chancellor, University of Delhi; and Shri D. P. Mandelia, Special Adviser to the Birla Group of Industries for giving evidence and making valuable suggestions to the Committee.

5. The Committee also wish to thank the Textile Machinery Manufacturers' Association, Bombay; Industrial Finance Corporation of India, New Delhi; The Associated Chambers of Commerce and Industry of India, Calcutta; The All India Manufacturers' Orga-

nisation, Bombay; M/s. Hindustan Lever Ltd., Bombay; Indian Sugar Mills Association, Calcutta; Indian Engineering Association, Calcutta; Tata Industries Private Ltd., Bombay; Association of Merchants and Manufacturers' of Textile Stores and Machinery, India, Bombay; Shri K. Santhanam; Dr. P. D. Hajela, Allahabad University; Bharat Chamber of Commerce, Calcutta; Indian Chemical Manufacturers' Association, Bombay; Pharmacy Council of India, New Delhi; The Pharmaceutical and Allied Manufacturers' & Distributors Association Ltd., Bombay for furnishing memoranda to the Committee.

6. The Report was considered and adopted by the Committee (1967-68) on the 3rd, 4th and 5th July, 1967.

7. A statement showing the analysis of recommendations contained in the Report is also appended to the Report (Appendix XXII).

NEW DELHI—1,
July 18, 1967

Asadha 27, 1889 (*Saka*).

P. VENKATASUBBAIAH,
Chairman,
Estimates Committee.

I

INTRODUCTORY

A. Industrial Planning

Place of Industry in National Economy

1.1. Industry occupies an important place in the national economy of a country. Particular importance is attached to heavy industry which produces machinery and equipment, raw materials and other supplies and fuel and power required by industry itself and by all other sectors of the economy. Heavy industry is stated to be the basis for technical progress. In supplying the economy with the means of production, heavy industry determines the rate of growth of production as a whole.

1.2. The basic task of industrial production planning is to satisfy society's need for industrial goods as fully as possible, given the degree of development of productive forces. The development of productive forces is achieved in its turn through a constant and rapid expansion of output based on the development and introduction of new techniques and advanced methods of organising production and labour.

Economic Conditions in India

1.3. Indian economy is characterised by over-population, abundance of natural resources and a low level of per capita income. India is one of the largest and most densely populated countries of the world and accounts for one-seventh of world population. India's population according to 1961 census was 439.2 million. The estimated mid-year population of 1966 is 498:9 million. The rate of growth rose from 1.26 per cent per annum during the decade 1941—51 to 1.97 per cent per annum during 1951—61. The growth rate was estimated to be 2.4 per cent per annum during the period 1961—65. This rate of growth is expected to rise still further to 2.5 per cent per annum during the period 1966—70. These figures bring home two significant points. Firstly, a large proportion of India's resources will have to be devoted merely to provide a livelihood for the increased population. Secondly, given even a modest rise in per capita income, India has a sufficiently large domestic market for industrial goods or services.

1.4. As is the case in many other under-developed countries, the resource endowment of India is not fully known but it can be stated

that India is rich in natural resources. There are considerable iron ore and coal deposits; the country is a leading world producer of mica, ilmenite and manganese ore; it is also rich in many other minerals. India's hydroelectric potential is among the highest in the world and recent surveys and explorations have shown the possibility of the existence of oil reserves. It should also be possible to increase substantially the agricultural yields through irrigation and expansion of fertiliser input. A large domestic market and substantial endowment of natural resources thus provide a base for rapid industrialisation of the country.

India's Experiences in Industrial Programming

1.5. Long before the Industrial Revolution in the West, India was the hub of a large part of the World's commerce. She was more than merely "the Indies where the spices grew". In addition to rice, wheat, sugar, raw cotton and a variety of spices, she exported cloth, silk and luxury goods, drawing to herself a sizeable share of the World's gold and silver.

1.6. History of the ancient world civilisation tells how the cotton and silk fabrics of India reached Egypt, Assyria and Babylon. In the court of Roman Emperors, Indian goods, especially textiles, were in great demand. Indian steel was very much in demand for Damascus blades, and in the early stages of English cutlery manufacture. The period up to the beginning of the nineteenth century constitutes the past of Indian industry which was an era of glory and splendour.

1.7. But then came the period of decline. With the opening of the sea route to India, trade passed into the hands of the European seafaring nations. Then the British came to power in India and with the large scale inflow of the products of British Industry, India became a victim of the industrial economy of Great Britain. India was not allowed to progress beyond being an agricultural country and an exporter of raw materials for British industries. To put it in the words of Ranade, India became, at the beginning of the 19th century "a plantation growing raw produce to be shaped by British skill and capital, and to be re-exported into India by British merchants to their corresponding British firms in India and elsewhere". The colonial Government's policies were responsible more than anything else for this lack of industrial progress in India.

1.8. But side by side, there was also growing an urge for opening of new industries. Till the Fifties of the last century India only saw

the opening of coal mines, coffee and tea plantations, and inauguration of Railways. The beginning of factory industry dates back to 1854 when the first cotton mill and the first jute mill were commissioned. Thereafter the two industries progressed steadily till we come to 1908 when the Tata Iron and Steel Company was established at Jamshedpur. According to the industrial census of 1911, India had 7,123 factories. Of these 4,569 used mechanical power and more than 81 per cent of the industrial population found employment in plantations, mines, transport and textiles.

1.9. This period of progress was marked by two World wars and the Swadeshi Movement. The first World War gave a great fillip to the growth of industry in India. As India enjoyed comparative peace, the demand of the allies for cotton textiles, jute goods and chemicals was met by Indian factories which expanded considerably. The War meant to the industrialists a cessation of foreign competition in cotton and coal, a creation of new demand in jute and manganese and a larger market at home because of stoppage of imports from Europe. The inter-War period saw the attraction of British capital to India immediately after the first World War. Before 1920, the colonial Government imposed countervailing excise duties on Indian manufactures whenever duties were levied on corresponding imported manufactures, despite protests from Indian industry. Protection was given only in the 1920's and that too hedged in with conditions which tended to reduce its effectiveness in fostering growth. And despite committee reports (the last under British rule being that of the Central Banking Inquiry Committee in 1931), no steps were taken to foster the growth of industrial banks. The psychological hesitation of Indian entrepreneurs, therefore, had a justifiable basis in the treatment given to Indian industry by the colonial Government.

1.10. In 1939 came the second World War. It gave a great impetus to the development of industries especially after the entry of Japan in war. The War created conditions for the maximum utilisation of existing capacity in Indian industries. During this period, the industrial expansion was, however, restricted by the lack of machinery imports and by the concentration of developmental efforts on industries which contributed towards the war effort. In this period, therefore, major development was restricted to engineering industries. The increase in output during this period was to the tune of 20 per

cent as can be seen from the following table of indices of industrial production:—

	1939	1944
Cotton textiles .	109·0	122·9
Jute	98·3	86·7
Steel	108·0	142·9
Chemicals	84·4	125·3(153·2 /1941)
Sugar	88·7	97·2
Cement .	124·8	196·5
Paper	121·6	196·5
General .	105·1	120·6

1.11. Soon after the end of the War, came the partition of the country and from 1946 started a period of crisis in Indian industry. The industrial equipment had been overworked during the war years and needed urgent repairs and replacements. It had also become obsolete.

1.12. Before the country could turn to the problem of rehabilitation of industries, the partition of the country supervened, which accentuated the difficulties of two leading industries in the country namely, jute and cotton textiles. Raw jute for the mills in Calcutta area used to come from districts which now formed part of East Pakistan while good quality cotton which used to feed the cotton textile mills in Bombay and Ahmedabad areas also came from districts which are now forming part of West Pakistan. India, however, inherited a large percentage of industrial establishments as

compared to Pakistan as would be seen from the table below:—

	Share of Pakistan (Percentage)	Share of India (Percentage)
Jute Mills	Nil	100
Cotton textiles (a)	2	98
Engineering	15	85
Iron & Steel (b)	Nil	100
Sugar factories	7	93
Chemicals	7	93
Matches	3	97
Papers Mills (c)	Nil	100
Cement (d)	10	90
Glass	2	98
Hides and Skins	3	97
All Industries	9	91

(a) Spinning, weaving and other factories.

(b) Smelting and steel rolling mills.

(c) Including paper pulp.

(d) Including lime and potteries.

1.13. Despite the many political problems arising out of partitition and integration of princely States etc., which Independent India had to face, the national Government took some concrete measures to help the industry. The Industrial Policy Statament of 1948* marked the period of initiation and envisaged a mixed economy with overall responsibility of Government to secure planned development of industries and their regulation. It aimed at securing a balanced growth of public and private sectors, initiating a proper development of large scale and small scale industries, increasing the cooperation between labour and management and inviting foreign capital to help the country.

*For details please see para 1.23.

1.14. To give effect to the Industrial Policy Resolution, Government brought forward the Industries (Regulation and Control), Bill, 1949. While speaking on 6.4.1949 on the Industries (Regulation and Control) Bill, 1949, the then Minister of Industry and Supply referred to essentials to planning and stated that "planning is nothing new even so far as this country is concerned. Previous to the War it was no doubt left to private enterprise to develop industries in such a way as they chose; there was no overall policy of the Government of the day. But the Indian National Congress appointed a National Planning Commission years ago, before Government contemplated the need for a systematic planning of the industrial and economic development of this country. Even apart for the valuable work which was done under the aegis of the Congress, the Government of India itself when Sir Ardeshir Dalal was Member in charge of development, placed an industrial policy before the Legislative Assembly of the day and indicated that some sort of planning was essential if India was really to emerge as an economically strong nation in the world. We have also a valuable Report from the Advisory Planning Board which made certain suggestions in this direction. Soon after we came into office on the 15th August, 1947 we summoned an Industries Conference in Delhi which was attended by Provinces, States, representatives of industry and labour and we evolved our national policy which was duly placed before Parliament on 6th April, 1948".

1.15. In March, 1950, the Planning Commission was set up by a Resolution of the Government of India. The Planning Commission was *inter alia* called upon to—

"(i) make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;

(ii) formulate a Plan for the most effective and balanced utilisation of the country's resources;

(iii) on a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;

(iv) indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;

(v) determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;

(vi) appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary".

Formulation of Five Year Plans

1.16. Industrial planning in India consists of a system of laying down every five years targets for industrial investment and for industrial capacity and production to be brought about as a consequence of such investment. Beginning with 1961, India has completed three Five Year Plans and is at the present time engaged in formulating the Fourth Five Year Plan (1966-71).

1.17. The First Five Year Plan was essentially a very modest programme for rehabilitating the economy following the damage suffered during World War II and the partition, with emphasis on agriculture, irrigation, power and transport. The Plan contributed to India's development in many ways. Several new projects were started by the Government. Those that deserve special mention are—

		Year of starting
1	Chittaranjan Locomotive Works	1950
2	Sindri Fertiliser Factory	1951
3	Telephone Factory, Bangalore	1952
4	Hindustan Machine Tools, Bangalore	1954
5	Hindustan Cables, Rupnarayanpur (W.B.)	1954
6	Hindustan Insecticides Ltd. (DDT Factory,) Delhi.	1955
7	Hindustan Antibiotic Ltd. (Penicilin Factory), Pimpri (Poona).	1955
8	Integral Coach Factory, Madras	1955
9	Newsprint Factory, Nepanagar (M.P.)	1955
10	Electronics Factory, Bangalore	1954

In the private sector the period was marked by the opening of two oil refineries—

1. Standard Vacuum Oil Refinery, Bombay	1954
2. Burmah Shell Oil Refinery, Bombay	1955

1.18. The Second Five Year Plan accorded high priority to industrialisation and especially to the development of basic and heavy industries. A large expansion of public enterprise in the sphere of industrial and mineral development was envisaged. It was, in fact, intended to strengthen further the programmes of development in respect of heavy industries, oil exploration and coal and to make a beginning with the development of atomic energy. The major change adopted in the strategy adopted under the Second Plan was to accelerated the rate of economic growth in the country. The main outline of strategy was a relative concentration of Plan investment in the industrial sector and within the industrial sector, in heavy industries. Out of total investment of Rs. 6200 crores, the Plan provided Rs. 1094 crores; (or 17.6 per cent as against 10 per cent under the First Plan) to industry.

1.19. In 1956 came the Second Industrial Policy Resolution* of the Government of India in the context of the declared goal of a socialistic pattern of society. As the Resolution puts it, "The Adoption, as well as the need for planned and rapid development, require that all industries of basic and strategic importance or in the nature of public utility services should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in present circumstances, could provide, have also to be in the public sector. The State has, therefore, to assume direct responsibility for the future development of industries over a wider area".

1.20. The Third Plan came to be formulated at a time when the upsurge in industrial activity had gathered momentum. A special feature of industrial development, especially since the commencement of the Second Plan in 1956-57, has been the growth of capacities in steel, aluminium, engineering, chemical fertilisers and petroleum products. Apart from these, large investments were made in the industries producing heavy electrical equipment, heavy foundry forge, heavy engineering machinery, heavy plates and vessels. Out of a total investment of Rs. 10,400 crores, the Plan provided Rs. 2455

*For details please see para 1.25.

crores (or 23.6 per cent as against 17.6 per cent under the Second Plan) to Industry.

1.21. The achievements of the three Plans have been summed up in the draft Fourth Plan by saying "The First Plan achieved considerable success. The performance of the Second Plan was also not unsatisfactory. The record of the Third Plan, however, has not *prima facie* been good". During the period of the Third Plan there was a persistent foreign exchange crisis since mid-1962. The capital market was also subdued. Moreover, as a result of military conflicts first with China and then with Pakistan, a large part of the budgetary resources was diverted towards defence. Shortfalls in agricultural production and the consequent rise in the price level reduced the savings.

1.22. The draft outline of the Fourth Plan has been presented to Parliament and has been given wide publicity to elicit the views of all sections of public. It has been stated in the draft Plan that "The Fourth Five Year Plan represents a crucial stage in the development of our economy. It has to consolidate and carry forward the achievements of the three earlier Plans, make up for their shortfalls as far as practicable and prepare the ground for a self-reliant economy to be attained by the end of the Fifth Plan".

B. Industrial Policy

Industrial Policy Resolution of 1948

1.23. The essentials of Government policy in the sphere of Industrial development were stated in the Industrial Policy Resolution of April, 1948 which is reproduced at Appendix I. While speaking on this Resolution in Lok Sabha on the 6th April, 1948, the then Minister of Industry and Supply *inter alia* stated that "this statement is not very spectacular in character. We have put it in a definite way as far as we could; nothing can be final, it is not intended that whatever we have said we shall have to stick to at any cost. India is passing through changing circumstances and times and the World is also passing through rapid changes, but we have indicated the broad lines of policy affecting the Legislature as also administration which is the intention of the Government to push through in the course of the next few years. We, hope, Sir—and this is one of our objective—that this will not only harness all available energies but will also succeed in removing uncertainties and misgivings, particularly with regard to private enterprise and also the position of labour in this country".

1.24. It will be seen from the Resolution that it listed certain industries like the manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railway transport as being reserved exclusively for the Central Government. In the case of certain other industries also such as coal, iron and steel, aircraft manufacture, ship-building, manufacture of telephone, telegraph, wireless apparatus and mineral oils, the State, including the Central and State Governments and other public authorities were responsible for further development except to the extent that it regarded the cooperation of private enterprise necessary for the purpose. The rest of the industrial field was kept open to private enterprise, individual as well as cooperative, but the State could intervene whenever the progress of any industry under private enterprise was found to be unsatisfactory. According to the Resolution central regulation and control was envisaged for 18 specified industries of special importance from the point of view of the investment and technical skill involved.

Industrial Policy Resolution of 1956

1.25. The Resolution of 1948 clearly emphasised the responsibility of Government in the matter of promoting, assisting and regulating the development of industry in the national interest. It envisaged for the public sector an increasingly active role. While it reiterated the inherent right of the State to acquire any industrial undertaking whenever the public interest required it, it laid down, in view of the circumstances then existing, a certain demarcation of fields for the public and private sectors. Some important developments took place after the Resolution was adopted in 1948. The Constitution of India was enacted, guaranteeing certain fundamental rights and laying down Directive Principles of State Policy. These developments necessitated a fresh statement of industrial policy which had to be governed by the principles laid down in the Constitution and the objectives of socialism. After an examination of all relevant considerations, Government made a fresh statement of industrial policy on the 30th April 1956 for speeding up industrialisation and, in particular, developing heavy industries and machine making industries, expanding the public sector and building up a large and growing cooperative sector. The full text of the Industrial Policy Resolution, 1956 is given at Appendix II.

1.26. Under the revised Industrial Policy Resolution industries were classified into three categories, having regard to the part which the State would play in each of them. As the Resolution

puts it, "The first category will be industries the future development of which will be the exclusive responsibility of the State. The second category will consist of industries, which will be progressively State-owned and in which the State will therefore generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the effort of the State. The third category will include all the remaining industries and their future development will, in general, be left to the initiative and enterprise of the privte sector.

1.27. Industries in the first category have been listed in Schedule A of this Resolution. All new units in these industries, save where their establishment in the private sector has already been approved, will be set up only by the State. This does not preclude the expansion of the existing privately owned units or the possibility of the State securing the cooperation of private enterprise in the establishment of new units when the national interests so require. Railways and air transport, arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever cooperation with private enterprise is necessary, the State will ensure, either through majority participation in th capital or otherwise, that it has the requisite powers to guide the policy and control the operations of the undertaking.

1.28 Industries in the second category will be those listed in Schedule B. With a view to accelerating their future development, the State will increasingly establish new undertakings in these industries. At the same time private enterprise will also have the opportunity to develop in this field, either on its own or with State participation.

1.29. All the remaining industries fall in the third category, and it is expected that their development will be undertaken ordinarily through the initiative and enterprise of the private sector, though it will be open to the State to start any industry even in this category".

Achievement of Objectives of the Resolutions

1.30. The following are stated to be among the important objectives of the Industrial Policy Resolutions of 1948 and 1956:

(i) Acceleration of the rate of economic growth and the speeding up of industrialisation and in particular the development of heavy and machine building industries;

(ii) Reduction of disparities in levels of development between different regions;

(iii) Protection of the small scale sector; and

(iv) Encouragement of the cooperative sector.

(v) Prevention of undue concentration of wealth in a small section of the population.

1.31. It has been stated that the objectives of the Industrial Policy Resolutions are attempted to be achieved through a system of licensing and regulation of industries under the Industries (Development and Regulation) Act,* 1951.

1.32. In so far as the acceleration of the rate of economic growth and speeding up of industrialisation is concerned it has been stated that while before 1950, the country did not have any industry worth the name, except textiles, today the industrial activity embraces a large number of industries and in some cases the industrial products are being exported. In the development of heavy and machine building industries, the State has participated in the field in a big way and the private sector is also following suit. It is added that Government keeps a close watch on these basic industries and either in association with private sector, or otherwise, is constantly striving to build up heavy and machine building industries.

1.33. The Licensing Committee** which examines all applications for licences takes care to see, to the extent possible, that the licensing assists a reasonably balanced developed of all the regions. Other things being equal an applicant from an under-developed area is stated to be given preference in matters of licensing. The committee also takes into account the small scale angle before licensing an industry. Many of the industries are stated to have been "banned" for licensing in the large scale sector of development in the small scale sector. In the liberalised licensing policy announced in respect of diversification of production by manufacture of new articles, Government are stated to have stipulated that the liberalised policy would not apply to the specified industries in which small scale industries are substantially interested. Further, copies of all applications for industrial licences are also forwarded to the Development Commissioner, Small Scale Industries, whose views are ascertained with reference to the small scale angle before the applications are brought up before the Licensing Committee. A representative of the Development Commissioner, Small Scale Industries, is also stated to be associated with the meetings of the Licensing Committee.

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* In this connection please see paras—2.1 to 2.16.

**Regarding constitution and functions of the Licensing Committee please see paras—3.13 to 3.22.

1.34. In the field of cooperation, it has been stated that Government follows a policy of giving preferential treatment to cooperatives, especially in certain industries, such as sugar which could be effectively implemented by cooperatives. For detailed information regarding steps taken to encourage cooperation in the industrial sector, attention is drawn to paras 2.71 to 2.75 of the Report.

1.35. Regarding the extent to which the objectives of the Industrial policy Resolutions of 1948 and 1956 had been achieved by implementing the provisions of Industries (Development and Regulation) Act of 1951, the representative of the Ministry of Industrial Development and Company Affairs stated during evidence that "There are various objectives which are kept in mind while licensing fresh industries or fresh units or substantial expansion of existing units. I would say that by and large the objectives which we have in mind have been achieved. I would not claim that we have achived 100% success in this direction; but by and large, these are the various considerations which we bear in mind when we issue licences. I would say that these objectives have been substantially achieved". While elaborating the position further with particular reference to Plan targets, he added that "In all these Plans there have been certain failures in the sense that we have not achieved plan targets in all cases. To that extent, of course, we have not succeeded in our objectives. There have been various delays in the implementation of which we are all aware". About prevention of undue concentration of wealth in a smaller section of the population he stated that such consideration was borne in mind when issuing a licence.

1.36. When asked whether a licence was rejected on the ground that the sponsoring firm had more than one company, the Secretary of the Ministry of Industrial Development and Company Affairs informed the Committee that "Where in a particular industry more than one application comes in and where there is a choice to us, in exercising that choice we do take this factor into consideration.... We do take these factors into consideration provided we have a field of choice open to us. But if there is only one application and the industry has to be put up, of course, then there is no choice". Asked if any directive had been issued on the subject to the licensing authority, the reperesentative of the Ministry of Industrial Development and Company Affairs stated that "I do not think there is a directive issued. But most members of the Licensing Committee are fully familiar with this matter and take these factors into consideration in the normal course".

1.37. Asked further whether it was true that "Much more licences" had been issued to established industrialists than to new comers, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "I would not say 'much more', 'equally'—perhaps yes. They have been getting licences just as much as newcomers. The Secretary of the Ministry of Commerce clarified the position further as under:

> "Whenever there is a prospect of a new entrepreneur coming from an area which is not as well developed and there is an element of choice, he is invariably included as a licensee, but the problem arises where the number of infructuous licences is much greater amongst the new comers and is much smaller amongst the old established houses. Therefore, in actual practice the result today is that it is those houses which have established industrial capacity and have experience in this connection who could succeed. The only way to measure the extent of failure or the extent of success in achieving the objectives is to go over the record, particularly of the Commission and it would be discovered that over the three Five Year Plans, a number of new industrial houses have come into being and the rate of expansion of industry by the new entrepreneurs is considerable. The rate of expansion of industry in the backward areas is also considerable. But, at the same time, a conclusion will be reached that the rate of expansion of the old industrial houses is considerably higher than the rate of expansion in the new ones, but that is a result which in the present situation, I would like to submit, we cannot avoid unless we give a lower order of priority to the items which require consideration to be given to acceleration in the economic growth".

1.38. The Committee feel that a crucial stage has been reached in the industrialisation of the country and if the slogan of self-reliance has to be given a content and a meaning it is imperative that the strategy of industrialisation should be reviewed pragmatically by an expert body. The Committee suggest that for this purpose Government may appoint an Industries Commission, with representatives drawn from industry, trade, commerce public sector, financial institutions and economists who should have intimate knowledge of industrial development in the country. The Commission may examine the extent to which the Industrial Policy Resolutions and the Industries (Development and Regulation) Act,

1951 have been helpful or otherwise in developing and regulating the setting up of industries on the desired lines. In the light of their findings they may indicate broadly the strategy to be followed for bringing about self-reliance in industry at the earliest, keeping firmly in view the resources of the country and the aspirations of the people.

II

DEVELOPMENT AND REGULATION OF INDUSTRIES

A. Industries (Development and Regulation) Act, 1951.

2.1. The regulation of industry in a scheme of planned economic development is necessary to secure optimum utilisation of investible resources for the benefit of a balanced industrial development of the different parts of the country and to secure proper development of various sectors of industries. Where together with rapid industrialisation, attainment of social equalities is also aimed at, the regulation of industry by the Government becomes inevitable. One method of industrial regulation is the transfer of ownership of industries to the State itself; but far more ancient and extensively used than this is the supervisory function of the State over the industry.

2.2. The present pattern of Government regulation of private industry in India roughly dates back to the Second World War when due to shortage in the supply of raw materials and the need to conserve financial and other resources, a number of controls on production, distribution, prices and investment in industries had to be imposed. It was expected that after the War had ended, most of these controls would be removed or relaxed. However, due to continued raw material shortage and the need to develop various industries, the controls were allowed to remain in some form or the other. Since then, the regulation of industries has acquired new dimensions. Till 1948, there was no formal allocation of spheres between the private and the public sector, but the Industrial Policy Resolution of 1948 for the first time made such a demaracation. Again, till 1951 there were no curbs on the setting up of industries, but this power was taken under the Industries (Development and Regulation) Act, 1951. The Industries (Development and Control) Bill, 1949 was introduced in Parliament on 23rd March, 1949. It was referred to a Select Committee whose report was submitted to Parliament in February, 1950. The Bill was re-committed to the another Select Committee thereafter. After passing through various stages and emerging from the second Select Committee the Bill was taken into consideration by Parliament and finally passed in October, 1951.

2.3. As stated earlier regulation of the pattern of industrialisation in the country is at present provided by the Industries (Development and Regulation) Act, 1951. By this is meant the regulation of industry with regard to the size of the firms in terms of their capacity, the

level of growth of various industries, their location and the investment of resources (Indian and foreign) in the industries. Licensing is the *modus operandi* in these matters. Under the Industries (Development and Regulation) Act, 1951 a licence is necessary for the establishment of a new industrial undertaking, expansion of capacities or for the manufacture of a new article by existing industrial undertaking engaged in the manufacture of any of the Schedule Industries included in the First Schedule to the Act. By refusing licence for a particular unit, the Government can prevent over-concentration in a particular region or over-investment in a particular industry. Moreover, by its power to specify the capacity under the licence, it can also prevent over-development of particular industry if it has already reached the target capacity. As a corollary, the Act also empowers the Government to cancel licence if the purpose for which it was granted has not been achieved.

Objects:

2.4. The object of the Bill as stated in the Statement of Objects and Reasons appended to the Bill is "to provide the Central Government with the means of implementing their industrial policy which was announced in their resolution No. 1(3)-44(13)48 dated the 6th April, 1948 and approved by the Central Legislature. The Bill brings under Central control the development and regulation of a number of important industries the activities of which affect the country as a whole and the development on sound and balanced lines is sought to be secured by the licensing of all new undertakings by the Central Government. The Bill confers on Government power to make rules for the registration of existing undertakings, for regulating the production and development of the industries in the Schedule and for consultation with Provincial Governments on these matters. Provision has also been made for the constitution of a Central Advisory Council, prior consultation with which will be obligatory before the Central Government takes certain measures such as the revocation of a licence or taking over the control and management of any industrial concern." While moving the resolution to refer the Bill to Select Committee the then Minister of Industry and Supply referred to the objects of the Bill and stated on 6th April, 1949 that "the object of this Bill is to create a suitable legislative framework by virtue of which the industrial policy can be implemented. This Bill I would say, constitutes a land-mark in the industrial legislation of India. It marks the beginning of a planning for the industrial development of this country. No doubt it is somewhat imperfect in its approach for there cannot be any planning for the whole country unless we take into account the needs of agriculture, of education, health and sanitation. I believe in the near future it will be possible for the Government of India to come

before the House with proposals for a comprehensive planning which will add to the peace, prosperity and happiness of the people of this country. So far as industrial planning is concerned we have been proceeding with a certain amount of caution during the last few months."

2.5. Speaking further on the Bill as reported by the Select Committee to which it was re-committed, the then Minister of Commerce and Industry emphasising the regulation of Industries stated on 11th October, 1951 that "Another mistaken notion is that since any kind of regulation is definitely a measure of interference, it will hinder private industry rather than help it. This argument might hold good if there is unnecessary interference which, in other words is called Planning, will help private industry rather than hinder it. Planning means regulation and planning has been accepted as the guiding principle in the economy of very country in the world. The 19th century theory of *Laissez faire* does not exist anywhere in the world today and it is futile to look back to those days when profit was the only motive in all industrial undertakings. In Britain where free economy had its full play for more than a century, regulation has been recognised long ago as necessary in the interests of national prosperity. I might refer to the Cotton Industry Re-organisation Act of 1939 to illustrate my point. The Development and Organisation of Industries Act came in 1947. There might have been some opposition when measures like these were taken up in Britain. But they were on the whole well received and welcome by the industrial sections of the community. Regulation of industries is necessary in the interests of the country as a whole and the interests of the country are served if the best interest of the industry itself is served.

Regulation serves the best interests of the industry itself. Regulated economy is considered to be best alternative to both free economy which has been proved all over the world as injurious to national interests and also to nationalisation which is full of difficulties in the circumstances prevailing in the country today. It is not difficult to realise how the absence of regulation in industries is causing definite harm to the industries, adversely affecting their production and at the end, injuring the interests of the country as a whole...."

2.6. Till 1953, the Industries (Development and Regulation) Act was confined to the licensing powers so far as regulation aspect was

concerned. But in that year, through an amending Act, powers were also taken to cause investigation to be made into the affairs of any industrial unit and to take over its management, if it was running in a manner highly detrimental to the industry concerned or the public interest.

Salient Features of the Act:

2.7. The important provisions of Industries (Development and Regulation) Act, 1951 are given below:—

(i) All the existing industrial undertakings in the scheduled industries have to be registered with the Government within a prescribed period;

(ii) No new industrial unit can be established or substantial extensions to existing plants made without a licence from the Central Government;

(iii) The Government can order and investigation in respect of any scheduled industry or undertaking if, in its opinion, there has been or is likely to be an unjustifiable fall in the volume of production in the industry or undertaking or if there is a marked deterioration in quality or an increase in price for which there is no justification; a similar investigation can also be ordered in respect of any industrial undertaking being managed in a manner likely to cause serious injury or damage to consumers;

(iv) In the event of an industry or undertaking not carrying out the directions issued after such an investigation the Government can take over its management;

(v) For the purpose of advising the Government on matters concerning the development and regulation of the scheduled industries, the Act provides for the setting up of a Central Advisory Council representing owners, employees, consumers and certain other classes including primary producers;

(vi) The major instrument envisaged under the Act for establishing the necessary liaison between the public and private sectors and for ensuring that private industry conforms more and more to the planned pattern of development is the institution of Development Councils.

(vii) Central Government can regulate supply, distribution, price etc., of the products of Scheduled Industries.

Working of the Act:

2.8. The Industries (Development and Regulation) Act, 1951 is applicable only to the industries included in the first schedule

appended to it. For facility of reference such industries are called "scheduled industries." The schedule originally contained only 42 industries when the Act was passed by Parilament. It has been stated that experience of the working of the Act had, however, brought to light a number of gaps in the scheduled industries which were there more by accident than by design. For instance, while rayon was included staple fibre was not mentioned; while ferro manganese found a place, other ferro alloys like ferro chrome were not covered; while paper was included, the related item pulp did not find a place in the schedule. These omissions were rectified by an Amendment Act of 1956 by adding 28 industries to the First Schedule to the Act. An up-to-date list of industries included in the Schedule is given at Appendix III.

2.9. According to the provisions of the Industries Act the industries included in the schedule are required to be licensed by Government. Under Section 29(b), the Central Government have powers to exempt* any industrial undertaking or any scheduled industry or a class of scheduled industry from the operation of all or any of the provisions of the Act. In pursuance of this provision, a notification was issued on the 26th February, 1960 to the effect that all industrial undertakings in the scheduled industries, which employed less than 100 workers nd which had fixed assets not exceeding Rs. 10 lakhs in value, were exempted from the licensing provisions of the Act. By virtue of a further notification issued on the 13th January, 1964, all undertakings other than undertakings pertaining to coal, textiles and roller milling industry, oil seed crushing, vanaspati, leather and matches, having fixed assets not exceeding Rs. 25 lakhs in value, have also been exempted from the licensing provisions of the Act.

2.10. In September, 1963, Government set up a Committee, known as the Industries Development Procedures Committee (Swaminathan Committee) to go into the question of the operation of conrols applicable to the establishment of additional industrial capacity under the Industries Act, the import of capital goods, issue of capital, foreign investment and collaboration and procedures of raw material licensing. That Committee submitted an interim Report in December 1963 and final Reoprt in March, 1964. Based on such of the recommendations of this Committee as were accepted, Government made certain changes in the procedures for the grant of industrial licences.

2.11. The Industries Development Procedures Committee was reconstituted on the 28th August 1965 to examine the working of the

*Please also see Chapter III.

revised procedure as recommended by it earlier and to make further recommendations to Government. This reconstituted Committee (Second Swaminathan Committee) submitted its report on the 28th February, 1966. The Committee have suggested further modifications in procedures with a view to speeding up the administrative process of industrial licensing.

2.12. A leading Chemical Manufacturers' Association has expressed the views that "The Industries Act and its implementation during the last three Plans certainly have not achieved completely the aims and objects of the Act. It takes on an average a few months before an Industrial Licence is issued to the entrepreneur either for substantial expansion or for setting up new plants. This delay in going through the procedural matter under the Act considerably hinders the progress of the industrial development..... The Industries Act, to a considerable extent, is responsible for slowing down the tempo of industrial development in the country."

2.13. An engineering association has represented to the Committee that "the implementation of the Industries (Development & Regulation Act has created serious obstacles to industrial progress. Although the purpose of the Act is to develop and regulate, the result in practice has been largely to delay and restrict industrial growth in many sectors, including priority sectors as well."

2.14. Another leading Chamber of Commerce & Industry has stated that by its nature "the Act is essentially an instrument of regulation, incapable of promoting development in a positive way and that a stage has now been reached where it has out-lived its usefulness and has emerged merely as a restraining influence on the country's economic growth." The Chamber has suggested that "the time has now come when Government should deliberately and fairly rapidly move towards an abandonment of industrial licensing, relying for their control over the economy on other instruments of regulation which already exist.....".

2.15. Government in a note furnished to the Committee have stated that "Licensing under the Industries (Development and Regulation) Act is a clearance given to an entrepreneur mainly from the capacity angle. Whether this can be dispensed with or not having regard to the other regulatory powers available has been considered by Government on numerous occassions and it is felt that it is desirable to retain the control, having due regard to the Government's policies on regional development, prevention of monopoly, development of small scale and co-operative sector. The need for dispensing with the control in a limited way has also been

considered by Government and the following relaxations have been given effect to:—

(i) Where the industrial undertaking can be set up with fixed assests not exceeding Rs. 25 lakhs, except in a few industries, no licence under the Act is necessary;

(ii) A number of industries have been granted exemption from the Licensing provisions of the Act;

(iii) Existing undertakings have been given the freedom to diversify their production without a licence upto 25 per cent. of their total production and also to increase their production of the items for which they are registered/licensed upto 25 per cent of the capacity registered/licensed, provided they satisfy certain conditions."

2.16 **The Committee agree that in the context of planned development, Government cannot wholly dispense with the authority to regulate industrial licensing. The Committee note that Government have been reviewing the procedure of industrial licensing and that as a result of the recommendations of the Swaminathan Committee in 1963 and 1965, the licensing procedures have been rationalised and liberalised in certain directions. In particular, the Committee note that Government have recently allowed the existing industrial undertakings to diversify their production without a licence up to 25 per cent of the total production as also to increase their production upto 25 per cent of the registered licensed capacity. They, however feel that the time has come when the procedures for industrial regulation should be used as an instrument of development rather than of restraint. This should not, however, result in relaxing in any way vigilence in checking the terms of foreign collaboration, or the time schedule for achieving self-sufficiency at the earliest or for producing goods at most competitive prices. The machinery available under the Industries (Development & Regulation) Act should be used to establish closer liaison between the public and private sector in the interest of larger and cheaper production. The Committee need hardly emphasise that in exercising the regulatory powers under the Act, weightage should be given on economic considerations as far as possible. The Committee suggest that the high powered Industries Commission recommended earlier in para 1.38 may undertake a thorough review of the provisions of the Industries Development and Regulation Act so that it can serve as an effective instrument for accelerating the industrial development of the certain specific suggestions in this behalf.**

2.17. The Committee have discussed in detail the various aspects of industrial licensing in the subsequent chapters and have made certain specific suggestions in this behalf.

Duplication and overlapping of provisions of the Act:

2.18. A comparision of sections 2 and 3 of the Essential Commodities Act and section 18(G) of the Industries (Development and Regulation) Act, 1951 shows that there is considerable duplication and overlapping of powers in so far as control over supply, distribution and price of certain articles relating to "Scheduled Industries" is concerned.

2.19. The main industrial commodities (or article relating to scheduled industries) under control under the Essential Commodities Act at present are:

1. Iron and Steel.
2. Non-forrous metals.
3. Coal.
4. Fertilizers.
5. Cinema Cerbons.
6. Cotton textiles.
7. Paper.
8. Sugar.

This seems to have led to an ambiguous position. For instance, while the Cement Control Order, 1961 was issued under the Industries (Development and Regulation) Act, the Cement (Quality Control) Order, 1962 has been issued under the Essential Commodities Act. In regard to cotton textiles, the study group on Textiles Commissioner's Organisation (1966) has observed as follows:

> "The Cotton Textiles (Control) Order was there long before the industries (Development and Regulation) Act was enacted and its provisions remained applicable even though in some respects the latter enactment made this control order out of date. The result is that today licences have to comply with the requirements of both sets of statutory provisions."

2.20. Ambiguity also exists in the case of Iron and Steel (Control) Order, 1956, issued under the Essential Commodities Act, 1956. For instance, according to paras 4.152 to 4.154 of 50th Report of the Public Accounts Committee (1965-66), a party was given industrial licences for setting up two tinplate plants under the order; which

should have actually been regulated under the Industries (Development and Regulation) Act.

2.21. Again, there is considerable overlapping between the powers exercised under Section 15 of the Industries (Development and Regulation) Act and the powers exercised under Section 235 and 237 of the Companies Act. In this connection the following observations in the Second Annual Report on the Working and Administration of the Companies Act, 1956, are significant.

> "Enquiries into complaints and investigations in several cases disclosed that in respect of many of them preliminary enquiries had been already made under the provisions of the Industries (Development and Regulation) Act, 1951, although these enquiries were generally inconclusive. On the other hand in some cases, formal investigations were needlessly delayed by duplicated preliminary enquiries both under the provisions of the Companies Act and those of the Industries (Development and Regulation) Act 1951. The primary object of an investigation under the Industries (Development and Regulation) Act is to assess the causes of any fall in production or employment but in practice as production and employment are, in the cases of all established companies essentially functions of the basic independent variable, *viz.* Management, investigations under the provisions of the Industries (Development and Regulation) Act to be meaningful and suggestive of effective remedies must, in most cases, be accompanied by investigations into the management of companies including their financial management and require a careful enquiry into company practices, can be undertaken only in terms of the provisions of the Companies Act. The area of overlapping between the administration of the Industries (D & R) Act and that of the Companies Act must, therefore, in many cases be necessarily considerable."

2.22. An eminent Industrialist in a memorandum furnished to the Committee has stated that "At present, prices of commodities like alcohol and molasses are controlled under the Industries Act. There are many other legislative measures including Essential Commodities Act which empower the Government to control prices, distribution etc. and similar provisions under the Industries Act appear to be redundant".

2.23. The Secretary of the Ministry of Industry has admitted during evidence that "there may be some degree of overlapping about the price control and distribution aspect. But it is limited to a small number of commodities coming under the Essential Commodities Act." Comparing the provisions in both the Acts, the Secretary of the Ministry of Commerce stated that "so far as the Essential Commodities Act is concerned the purpose is to regulate the price and supply of essential commodities whereas the principle purpose of the Industries (D & R) Act is to control and regulate industrial production. It is true that in certain fields of economic activity legislative powers available to Government are to be found not in one but in two Acts.".

2.24. The Committee are constrained to note that in spite of the fact that Government were aware of the duplication and overlapping of certain provisions in the Industries (Development and Regulation) Act, 1951, and in certain other regulatory measures such as Essential Commodities Act, 1955, no action appears to have been taken so far to remove these anomalies. As such a state of affairs tends to cause avoidable inconvenience and harassment to industrialists and is likely to stand in the way of effective implementation of the relevant provisions of the Acts concerned, the Committee would urge the Government to examine this aspect urgently and take necessary remedial measures.

Administration of the Act by State Governments

2.25. Section 26 of the Industries (Development and Regulation) Act, 1951, authorise the Central Government to give directions to any State Government regarding execution in the States of any of the provisions of the Act or of any order or direction made thereunder. Such directions are executed through the State Department of Industries.

2.26. It has been the experience of a leading Chamber of Commerce that "compliance to references made and directions issued by the Central Government often take an unduly long time. Besides, uniformity in the standard of compliance by differet States is also needed for effective implementation of this Central Act."

2.27. The representative of the Ministry of Industrial Development and Company Affairs agreed during evidence that the time taken by the State Governments was sometimes unduly long; but he added that "when it is so, we bring the matter to the notice of the higher State authorities wherever we can." In a written note furnished to

the Committee, Government have briefly stated the part played by the State Governments in the administration of the Act as follows:

> "As soon as an application for an industrial licence is received in the Ministry of Industry, a copy thereof is forwarded to the State Government within whose jurisdiction the industry is proposed to be set up, for their comments, in cases where a copy has not been sent direct by the party. The examination by the State Government is limited to the suitability of the location and availability of the power, water etc. A specified period is allowed to the State Government to furnish their comments and if nothing is heard from the State Government within the period, the consideration of the application is not held up for want of their comments. In such cases, it is generally presumed that the State Government has no objection to the proposal. The representatives of the State Governments are also coopted Members of the Licensing Committee and have an opportunity to express their views on the applications:"

2.28. The Committee consider that the State Governments have to play an important role in the setting up of new industrial units in their respective areas as it is their primary responsibility to provide for the infrastructure facilities required in the initial stage for the setting up of such units. The Committee would, therefore, emphasise that there should be close coordination and consultations between the Central and State Governments concerned in the administration of the Industries Act. They suggest that Ministry of Industrial Development and Company Affairs should convene meetings, at regular intervals—say once in 6 months—of representatives of State Governments and thrash out at such meetings all problems and pending cases concerning industries, besides holding discussions on matters of mutual interest for stepping up industrial production in the country.

B. Regional Development

Policy and Approach

2.29. The Industrial Policy Resolution of 1956 lays down that "In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. The lack of industries in different parts of the country is very often

determined by factors such as the availability of the necessary raw materials or other natural resources. A concentration of industries in certain areas has also been due to the ready availability of power, water supply and transport facilities which have been developed there. It is one of the aims of national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, provided the location is otherwise suitable. Only by securing a balanced and coordinated development of the industrial and the agricultural economy in each region, can the entire country attain higher standards of living".

2.30. The Second Five Year Plan indicated the approach, policy and measures for removal of regional disparities. It has been stated that:—

> "In any comprehensive plan of development, it is axiomatic that the special needs of the less developed areas should receive due attention. The pattern of investment must be so devised as to lead to balanced regional development. The problem is particularly difficult in the early stages when the total resources available are very inadequate in relation to needs. But, more and more, as development proceeds and large resources become available for investment, the stress of developmental programmes should be on extending the benefit of investments to under-developed regions. Only thus can a diversified economy be built up. These considerations have been kept in mind while formulating the Second Five Year Plan, but they are certain to claim even greater attention in the plans to come."

The Plan suggested that the following recommendations of the National Development Council should be kept in view while programming the development in the public sector and also in the administration of licensing policy or new industrial units in the private sector:

(i) Programme for setting up decentralised industrial production should be undertaken;

(ii) In the location of new enterprises, the need for development of different parts of the country should be kept in view;

(iii) Steps may be taken to promote greater mobility of labour between different parts of the country;

(iv) Continuous study of the problem of regional disparities should be undertaken and a suitable set of indicators of regional development evolved.

2.31. In the Third Five Year Plan, an indication has been given about the policy, measures taken during the Second Plan and proposed to be taken during the Third Plan devising effective measures for attaining the objective of balanced regional development. As stated therein, balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions and wide-spread diffusion of industry are among the major aims of planned development. The plan stressed the need for studies in regional development and stated that:

> "Continuous study of economic trends and rates of growth in different areas and of the programmes bearing on the less developed regions is useful in formulating programmes for more balanced regional development. Underdeveloped areas which need special attention have to be more closely identified, their resources surveyed and the factors influencing their development examined. The concept of a 'region' also needs to be defined more clearly. There are regions within States as well as those which extend beyond them and depending upon the purpose in view, different concepts may be employed. Within every State, there are areas which are more under-developed than others. As explained earlier, problems of regional development also arise in a variety of other contexts, as for instance, in areas around major projects, areas where new resources are being developed and metropolitan regions. For assessing levels of development in different regions, indicators of development based on agricultural production, industrial production, investment, unemployment, electricity consumption, irrigated area, value of output by commodity producing sectors, level of consumption expenditure, road mileage, primary and secondary education and occupational distribution of population, are useful, but they must be compiled on the basis of accurate statistical data and should be strictly comparable for different States or regions....."

2.32. A leading chamber of commerce has represented to the Committee that the Industries (Development and Regulation) Act has not been successful in promoting the development of under-

developed areas or States. It has been stated that "Government directives alone are insufficient to promote such development and that entrepreneurs will only set up new units in under-developed areas if they are satisfied that conditions there are advantageous and that projects will be automatically viable. More generally, the endeavour to give preference to under-developed areas has been unrealistic—and to the economic disadvantage of the country—in that it displays an insufficient recognition of the fact that certain parts of the country possess natural economic advantages in such matters as the availability of raw materials, of manpower or, of markets for finished goods."

2.33. A manufacturing organisation has suggested that "if backward regions have to be developed fast enough then ways and means must be found to get right types of entrepreneurs and also to offer special concessions both of local and fiscal natures which may attract the attention of the true entrepreneurs to divert their attention to those regions".

2.34. Another chamber of commerce has underlined the following promotional hurdles normally faced by an entrepreneur in the industrial sphere specially in an un-developed or under-developed area:

"(i) Difficulties of exploration including those connected with investigation and verification of new idea and project;

(ii) Lack of coordination amongst different Government authorities at Central and State levels and the resulting delay;

(iii) Multiplicity of laws, rules, regulations and administrative directions;

(iv) Technical hurdles specially at the stage preparation of projects;

(v) Financial hurdles specially for the small enterprisers;

(vi) Risks and contingencies in the welter of fast changing circumstances and lack of proper guidance and careful planning to minimise these hazards;

(vii) Apathy and unequal competition between large or medium and small scale enterprises."

Survey of Under-developed Areas

2.35. In a note furnished to the Committee, it has been stated that Government have not carried out any surveys during each of

the Plan periods with a view to find out the causes of slow development. However, the National Council of Applied Economic Research have carried out techno-economic surveys for various States. These Survey Reports have attempted to identify the scope for the development of the industries within the States. The State Governments are stated to have broadly taken into account the recommendations made in the Survey Reports in formulating their Fourth Five Year Plan proposals.

2.36. In 1962, the Planning Commission and the Government of Uttar Pradesh appointed a Joint Study Team under the chairmanship of Shri B. P. Patel to:—

(i) make a study of economic and social conditions and problems of development in four districts of U.P.—Azamgarh, Ghazipur, Jaunpur and Deoria;

(ii) make an assessment of the progress under the two plans and development envisaged in the Third Five Year Plan in these districts; and

(iii) suggest administrative and development measures for acceleration of progress in these districts.

It is stated that the Planning Commission have also identified backward areas in each State in consultation with State Governments for accelerating development in these areas in a planned way.

2.37. Asked during evidence whether Government had made a survey of under-developed areas with a view to find out the causes for slow industrial growth, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "quite a number of studies have been made for under-developed areas in the country with a view to assessing as to what can be done to increase the industrial development in those areas. For instance, a fairly comprehensive study was carried out in Dandakaranaya areas. Similarly another study has been carried out regrding prospects of industrial development in Jammu and Kashmir.....Another study has been carried out regarding Eastern Districts of the U.P. which are supposed to be somewhat backward in industrial development. Then there was a Working Group on development of certain hill areas. The N.C.A.E.R. has also carried out some study. There are a number of studies carried out in the backward areas to examine the reasons why industries have not come up there and to suggest as to what sort of industries can be established in those areas."

Measures

2.38. The various measures taken by the Government to develop industries in comparatively backward regions of the country are summarised below:—

(i) *Locating the public sector projects in comparatively backward regions*

It has been stated that in the location of public sector projects, the claims of relatively backward areas have been kept in view wherever this could be done without giving up essential technical and economic criteria. As for example, the following have been cited: Establishment of steel plants—Bhilai, Rourkela, Durgapur and Bokaro; fertilisers factories in Bihar, Punjab, Orissa, Maharashtra, Assam, U.P., Madras, Kerala etc.; heavy electrical factories in U.P., Madhya Pradesh and Andhra Pradesh; machine tool factories in Mysore, Kerala, Andhra Pradesh, Bihar; precision instrument factory in Rajasthan and Kerala, etc.

The following statement gives State-wise investment on Central Industrial Projects during the three Plan periods;

State	(Rs. crores) Investment in First Plan	(Rs. crores) Investment in Second Plan	(Rs. crores) Investment in third Plan
1	2	3	4
Andhra Pradesh	8·29	1·70	46·99
Assam			27·50
Bihar	8·15	24·90	192·59
Gujarat			41·75
J. & K.			
Kerala	1·02	0·90	23·20
Maharashtra	2·08	1·91	44·20
Madhya Pradesh		256·9	230·11
Madras	5·84	3·39	73·28
Mysore	7·12	5·24	17·67
Orissa	6·54	226·00	177·08

1	2	3	4
Punjab .		23·69	6·09
Rajasthan		0·30	13·89
Uttar Pradesh			71·44
West Bengal	5·84	179·22	141·55
GRANT TOTAL	44·88	704·15	1107·54

Note.—These are approximate estimates of investment in Central industrial sector in different States.

(ii) *Setting up of 'Industrial Development Areas' in backward regions*

The Third Plan included a proposal for setting up of 'Industrial Development Areas' in backward regions. In such regions, in selected areas, basic facilities like power, water and communications were to be provided and factory sites developed and offered for sale or on long lease to prospective entrepreneurs. This scheme was drawn up primarily to promote medium sized industries, but it was anticipated that, along with these, there would be wider scope for establishing small scale industries specially those of ancillary character. A provision of Rs. 5·4 crores was made in the State Plans during the Third Plan period for the development of such industrial areas, and it has been stated that "most of the States have developed industrial areas during the Third Plan period. In their Preliminary Memorandum on the Fourth Plan also the State Governments have made additional proposals for the setting up of industrial areas."

(iii) *Setting up of private sector projects in under-developed regions.*

It has been stated that in the licensing of industrial projects in the private sector also, the claims of under-developed regions are kept in view and locations in such areas are preferred, other conditions being equal. The progress, programmes and production tagets of number of industries in private sector are examined from time to time with a view to securing the location of new units on zonal basis. It has been added that in a number of industries, like cotton textiles, powerlooms etc., which can be regionally developed, State-wise allocations have been made by Government. The policy followed regarding the licensing of new units in the sugar industry is also stated to have assisted development of States. There has been

a wide-spread diffusion in a wide range of other consumer goods and processing industries such as bicycles, sewing machines, electrical motors, radio receivers, moulded plastics, paper, cement, etc.

(iv) *Promotion and Development of Industries through the State Industrial Development Corporations.*

As a step towards the development of industries in backward regions, several State Governments are stated to have already set up Industrial Development Corporations. These Corporations initiate and promote the establishment of industries within the States either on their own or in association with private sector. Apart from participating in equity capital, they also provide long-term loans to the private sector. A provision of Rs. 6 crores was made in the Third Plan period for the establishment of State Industrial Development Corporations. During the Fourth Plan period Government propose to expand these corporations and also establish new ones in States where these do not exist at present. Apart from assistance provided through the Industrial Development Corporations, direct participation or loan assistance by the State Governments have also been agreed to as special cases. This is specially relevant in the case of States like Assam and Jammu & Kashmir.

2.39. In the States which are generally known to be backward, the Plan outlay increased in the Second Plan and increased sharply in the Third Plan. While the contribution of resources by these States was small, this higher outlay was made possible through a larger measure of Central assistance. The increase in Central assistance in the Third Plan over the Second Plan is indicated below:

States	Percentage increase in Central assistance during the Third Plan over the Second Plan.
All States	107·4
Assam	143·3
Bihar	147·3
Madhya Pradesh	93·9
Kerala	164·0
Rajasthan	140·6
Uttar Pradesh	161·1

2.40. The Joint Study Team on Uttar Pradesh (Eastern Districts) have stated in their Report that "Experience has shown that additional outlays and Central assistance allocated to State Governments for the accelerated development of the backward areas have not produced the desired result".

2.41. The Committee desired during evidence to know as to what precautions had been taken to see that no uneconomic units were established in areas which had not the necessary preconditions for the viability of such units, the representative of the Ministry of Industrial Development and Company Affairs stated that "The whole object of the studies is to set up economic units. I must, however, say that while these units may be economic, they would not be the most economic that you could set up in the country if you were to choose certain other areas. But, then, if we are going to develop under-developed areas, we have to put up with such a situation. However, I agree with you that we should not establish even in less developed areas uneconomic units. There is no doubt that if you were to put up units in certain other areas, they would be more economic.".

2.42. The Special Secretary of the Ministry elaborating the position informed the Committee as under:—

> "It is a very complicated matter and I would like to say a few things at some length. On the one hand we do want that industries should be as evenly spread all over the country as possible consistent with the point the Chairman has mentioned that intrinsically by a such location we do not go in for any grossly uneconomic projects. That is one side of it. On the other hand it is an accepted policy of the Government that industries should be spread as widely as possible all over the country. We do not have any compulsive legislation as in the U.K. so that we can direct any private sector industry to be located in such and such backward areas. If an application comes from a backward area, we can certainly give it a preferential treatment. We have no powers to direct that a particular industry should be set up in a particular area merely because that is backward.. All other things being nearly equal, in the Licensing Committee we give priority to industries from a relatively backward area. Even under strict question of comparison this problem is going to be

solved. If you consider the factors of nearness of market and the movement of raw materials, these backward areas will never get even a chance, within the limitations based strictly on the cost. There are many cases in which there are certain other countervailing advantages against the economic cost of the project. For instance, take a project like cement or even fertiliser. In Assam one cement plant is already finished and the second one is coming up. We have also got a fertilizer plant. The basic raw material is the gas from the oil fields. To an extent there is a local market. The economics on these projects are sufficiently attractive because the movement of the finished product is avoided. What I want to say is that there are a number of factors which have to be considered. In conclusion I would say it is certainly laudable and desirable to disperse the industries as widely as possible. It is not merely the question of different regions. Even inside a State which one would consider to be relatively more developed, we have got pockets, some highly developed and some less developed. Take Maharashtra. There you have got areas like Marathwadi which is a backward areas. There the problem will be to provide at the State Government level facilities to attract industries like power, road, water etc., which will make it attractive to spread out. This is the only way in which, I feel, we can attack this problem".

2.43. Commenting on the suggestion that industries would be attracted to under-developed areas only by the supply of practical incentives like provision of good communtications, etc., the representative of the Ministry stated that "That is being done by some State Governments in a fairly significant way. I should mention Maharashtra, Madras in this connection—to develop new areas of suitable location, with all the infra-structual facilities. That in fact is the best way to attract the location of industries.".

Representations from State Governments.

2.44. A leading manufacturing organisation has brought to the notice of the Committee that "At times, some State Governments have voiced grievances that their States have not received adequate share in the licences issued for reaching the targets fixed under the Five Year Plans. There are also occasional regional pulls and political pressures. As a consequence, while issuing industrial licences, sufficient care is not taken sometimes to scrutinise the ability of a promoter, including his financial resources, to float a concern". The primary reasons as to why the development of

industries has not taken place fast enough in the backward regions have been stated to be "lack of adequate local facilities like power, water, communication, housing and market facilities as well as the skilled and experienced workers". It has been stated further that "Lack of entrepreneurs in those areas has also attributed to the lop-sided development of those regions. It is often seen that while recommending the granting of industrial licences the State Governments have often given greater weightage to the political pressures or pulls which more than often resulted in granting of Industrial licence to those who have been unable to muster enough resources or have any prior experience of the industries".

2.45. It has been stated by the official representative of the Ministry that "Quite a number of States keep on representing that their areas have not received adequate share of licences. I have not got the figures of the number of representations, but it is a fact that from time to time, Chief Ministers of States and Industries Ministers of States do write to us pointing out that their States, in their opinion, have not received a fair share of the licences. As my colleague explained, we have no compulsive means of attracting people to particular areas. We consider the applications as we receive them and provided the location in a particular area is not too uneconomic, other things being reasonably equal, we do give preference to the more under development areas".

2.46. In reply to another question, the representative of the Planning Commission has informed the Committee during evidence that besides the economic and technological considerations "there may be other elements like regional considerations which may have to be introduced in the consideration of particular projects. But for major projects and for projects in the export industries particularly, the economic and technological considerations are considered paramount".

2.47. The Committee agree that one of the basic objectives of planned economic and social development in the country is to ensure balanced growth of the different regions. They feel that industrial licensing can be one of the instruments to subserve that objective, to the extent possible. In the opinion of the Committee, however, the real key to the development of the backward areas lies in strengthening of their agricultural sector as also in building of infra-structure for development of industries. Experience has demonstrated that the soundest basis for building up industrialisation of under-developed and backward areas is to provide infra-structure, such as power, transport and communications, raw materials, train-

ed technical personnel etc. The truth of this has been amply demonstrated by the progress made in industrialisation since independence in the States of Madras and Maharashtra. The obvious course for authorities, who are anxious to attract industrial units to their States, is to make concerted efforts to develop the infra-structure facilities in their areas. The Committee would urge the Central Government to give every possible assistance to the under-developed States to develop infra-structure facilities such as power, communications, raw materials, trained technical personnel etc. The importance of trained technical personnel needs special mention, for the man behind the machine is apt to be overlooked. In a country like India the richest resource, even in the most under-developed or backward areas is manpower. It is therefore of utmost importance to develop this human resource by a sound system of education, industrial training and by ensuring that the rule of law and order prevails. This atmosphere of purposefulness and productivity, which the State can to a large extent help to create cannot be under-rated for it is prerequisite for the successful functioning of industrial units.

While the Committee whole-heartedly favour the development of the under-developed and backward areas, they feel that the realities of the situation require that the operation of the economic factors in the interests of maximising production at the most competitive rates for the common man, should not be overlooked.

2.48. The Committee further suggest that intensive studies of the economic structure of the backward areas, their deficiencies and problems of growth and the available natural resources should be undertaken by competent teams so that well-conceived and integrated development plans for the industrial and agricultural developments for those areas could be formulated. The Committee need hardly stress that in the interest of sound economic development, the problem of industrialisation of under-developed areas should be approached in a rational and pragmatic manner.

C. Plan Targets and Progress

Review of Achievements

2.49. A statement showing the targets and achievements in respect of each industry during each of the three Five Year Plans is given

in Appendix IV. The statements indicate information under the following headings:—

(i) Name of the Industry;

(ii) Production target laid down in respect of each industry during each Plan period;

(iii) Production capacity in existence at the beginning of each Plan period;

(iv) Production capacity licensed during each Plan period;

(v) Capacity actually set up during each Plan period.

(vi) Production actually achieved during each Plan period.

It will be seen from the above Appendix that in respect of a large number of industries the actual production at the end of each Plan of period has fallen short of the targets of production laid down for the Plan. A few examples of shortfalls, pertaining to the Third Plan, are given below:—

S. No.	Name of Industry	Production target laid down during the 3rd Plan period	Production actually achieved
1	2	3	4
1	Commercial vehicles cars and jeeps.	100,000 Nos.	70,736 Nos.
2	Agricultural Tractors	10,000 Nos.	5,714 Nos.
3	Electric Motors.	25,00,000 H.P.	17,50,000 H.P.
4	C. I. Pipes	8,00,000 tons.	2,47,816 tons
5	Bicycles .	25 lakhs (large scale: 20 lakhs) Small scale: 5 lakhs)	15·75 lakhs

1	2	3	4
6	Sewing machines .	8·5 lakhs (large scale : 7 lakhs small scale : 1·5 lakhs)	4·3 lakhs
7	Ball &Roller bearings	15 million	8·79 million
8	Sulphuric acid	15,00,000 tonnes	6,63,902 tonnes
9	Nitrogenous fertilisers 'N'	8,00,000 tonnes	'N'2,31,246 tonnes
10	Phosphastic fertilisers.	4,00,000 P_2O_5 tonnes	1,21,666 tonnes P_2O_5
11	Pesticides B.H.C.	15,000 tonnes	7,441 tonnes
12	Automobile tyres. .	3·85 million Nos.	2·533 million Nos.
13	Newsprint	120,000 tonnes	30,499 tonnes
14	Synthetic yarn/fibre . .	6 million Kg.	1·5 million Kg.
15	Acetate yarn staple included in viocose filament yarn	14·5 million Kg.	1·94 million Kg.
16	Milk Powder .	30,000 tonnes.	5,743 tonnes.
17	Solvent extraction of oil cakes.	20,00,000 oil Cakes (tonnes) treated.	
		1,60,000 Solvent (tonnes) extracted oils	92,000 tonnes

1	2	3	4
18	Rice Bran Oil	3,50,000 rice bran (tonnes) treated	
		50,000 rice bran (tonnes) in terms of oil.	8,500 tonnes

2.50. The value of imports of each item imported during each year of the Third Plan, is indicated below:—

(Rs. in lakhs)

Sl. No.	Commodity	1961-62	1962-63	1963-64	1964-65	1965-66
		Val.	Val.	Val.	Val.	Val.
1	2	3	4	5	6	7
1	Cars & Jeeps	120	65	66	55	53
2	Electric Motors	266	292	287	216	430
3	C. I. Pipes	148	44	43	63	79
4	Bicycles	0·7	1·2	1·7	0·5	Negl.
5	Sewing Machines	10	13	21	26	36
6	Ball & Roller Bearing	426	432	394	485	620
7	Agricultural Tractors	283	263	276	306	527
8	Sulphuric acid	1	1	1	1	055
9	Sovent Extraction Industry	26	5	12	24	13
10	Automobile Tyres	98	40	41	17	15
11	Newsprint	971	763	693	740	618
12	Pesticides	59	64	106	106	7

1	2	3	4	5	6	7
13	Synthetic yarn/fibre	239	560	693	1000	495
14	Acetate yarn/staple incl. in viscose filament/yarn . .	954	728	352	272	77
15	Milk Powder .	111	132	210	142	17
16	Nitrogenous fertilisers . .	10,45	24,02	24,66	20,51	31,80
17	Phosphatic fertilizers .	5	26	15	110	26

2.51. It will also be seen from Appendix IV that in a number of cases, the production capacity licensed upto the end of the Third Plan is less than the production targets laid down for the Third Plan period. A few examples of under-licensing etc. are indicated below:—

S. No	Name of the Industry	Production target laid down during Third Plan period	Production capacity in existence at the beginning of the Plan period	Production capacity added during the Third Plan period	Total licensed capacity
1	2	3	4	5	6
1	Compressors	8,000 Nos.	2,300 Nos.	1,020 Nos.	3,320 Nos.
2	Ball & Roller Bearings .	15 million Nos.	1·70 million Nos.	10 million Nos.	11·70 million Nos.
3	Cranes	60000 tons		55,000 tons	55,000 tons
4	Automobile tyres.	3·85 million Nos.	1·46 million Nos.	1·74 million Nos.	3·20 million Nos

1	2	3	4	5	6
5	Newsprint . .	1,20,000 tonnes	30,000 tonnes	N. A.	30,000 tonnes.
6	Pesticides BHC (Tech.) .	15,000 tonnes	3,900 tonnes	7,200 tonnes	10,200 tonnes
7	Scientific Surveying industrial process including water & meters etc. . . .	Rs. 1200 lakhs	Rs. 35 lakhs	Rs. 876 lakhs	Rs. 911 lakhs

2.52. The Committee also note from Appendix IV that in a number of industries the production capacity actually installed has been much less than the production capacity licensed. A few examples are cited below:—

Serial No.	Name of the Industry	Production capacity licensed	Production capacity actually set up
1	2	3	4
1	Steel castings	4,31,112 tonnes	1,22,720 tonnes
2	Steel forgings	3,45,910 tons	71,910 tons
3	G.I. Pipes .	9,40,140 tons	3,08,540 tons
4	Cranes .	55,000 tons	16,800 tons
5	Sulphuric Acid	21,52,360 tons	5,01,690 tons
6	Nitrogenous Fertilisers 'N'	17,53,000 tons	3,31,064 tons
7	Phosphatic fertilizers P 205	4,93,820 tons	1,15,599 tons
8	Milk Powder	22,630 M tonnes	8,753 M tonnes

2.53. It will also be seen from Appendix IV that in several industries there is wide difference between the production capacity set up and the actual production achieved. In this connection, a few instances are quoted below:—

Serial No.	Name of the Industry	Production capacity set up	Production actually achieved
1	2	3	4
1	V.I.R. & P.V.C.	749·3 million yds.	366 million metres
2	Winding Wires .	13,813 tons	9,000 tons
3	Pulp & Paper Machinery .	Rs. 385 lakhs	Rs. 168 lakhs
4	Steel Castings .	1,22,720 tons	59,626 tons
5	Fertilizers Nitrogenous .	583,000 tonnes	233,317 tonnes
6	Steel Wire Ropes .	29,000 tons	15,000 tons
7	X-Ray Equipment .	Rs. 210/- lakhs	Rs. 99 lakhs
8	Scientific surveying industrial process including water meters, e c. . .	Rs. 976/- lakhs	Rs. 620 lakhs
9	Medical/Surgical Instruments	Rs .527/- lakhs	Rs. 100/- lakhs

2.54. In his opening address at the 18th meeting of the Central Advisory Council, on 14th October, 1963, the Minister of Industrial Development and Company Affairs has *inter-alia* assessed the country's progress in the following words:—

"It is true that, in relation to the Third Plan targets or installed capacity there are shortfalls in the case of many impor-

tant industries. There are, however, two or three other important points which emerge from a study of the statements circulated with the agenda papers. First, it will be seen that there has been a very considerable growth in installed capacity between 1961—66 in respect of many industries. For example, the increase in production capacity in major industries like castings and forgings, electrical machinery, machine tools and many of the basic chemicals, is quite considerable. Secondly, the additional capacity licensed and covered by foreign exchange provision in many industries is large enough to take the total capacity installed well beyond the Third Plan targets. Thirdly, the capacity already licensed but for which adequate foreign exchange provision has yet to be made, would go a long way in meeting the Fourth Plan targets of capacity and production. In other words, if instead of considering the Third Plan only and hightlighting the shortfalls in capacity and production and there is no denying that there have been such shortfalls—one takes a longer view, the situation really is that what the country has set before itself to achieve in 15 years is likely to be achieved with a lag of a couple of years or so. Further the projects under way, public and private, are going take us much of the way in the achievement of the Fourth Plan targets in many industries."

Short-falls in Production

2.55. The Committee enquired whether any study of the reasons for not achieving the production targets in respect of various industries during the First and Second Plan period was made. It has been stated that the plan documents brought out by the Planning Commission indicate the reasons for the shortfalls in production targets and that the main reasons are:—

(i) inter linkage of industries;

(ii) less rate of growth of National Income;

(iii) shortage of raw materials;

(iv) lack of adequate foreign exchange; and

(v) less profitability of certain industries.

2.56. The following remedial measures are stated to have been taken by Government to avoid the shortfalls in the planned production targets during the Third Plan:

(i) High priority for agriculture;

(ii) Liberalisation of imports;

(iii) Review from time to time of the fiscal and pricing policy so as to make the industries which have short-falls in production more profitable;

(iv) General understanding with credit institutions like Industrial Finance Corporation/Industrial Credit and Investment Corporation of India etc. to give priority for loans for specified industries.

2.57. Referring to the progress of industrial sector during the Third Plan, it has been stated in the draft Fourth Plan that "So far as the industrial sector is concerned, there was encouraging progress in the early years of the Plan. But the tempo could not be kept up primarily due to scarcity of key materials and components which resulted from the shortage of foreign exchange especially after the hostilities of 1962 and 1965 and the suspension of certain foreign credits in the latter year. The shortfall in hydel power due to drought in 1965-66 also affected industrial production". The Planning Commission hope that "with an improvement in exports and resumption of foreign credits, much of this idle capacity is likely to be activated and lead to a substantial increase in industrial production within a short period and not only facilitate recovery but also give a new spurt to the economy. Besides, a number of projects which could not be completed on account of various difficulties faced during the Third Plan period are likely to be completed during the first twelve to eighteen months of the Fourth Plan".

2.58. From the foregoing, the following facts have emerged in regard to the development of industrial sector during the three Plan periods:

(i) In a number of industries the production has fallen short of the targets laid down for them during each Plan. For example during the Third Plan period, the production in the following industries

ranged between 13·4 per cent to 51 per cent of the targets laid down for them:

	Percentage to the production target laid in the Third Plan
1. Acetate yarn staple	13·4
2. Milk powder	20
3. Newsprint	25
4. C.I. Pipes	31
5. Sulphuric Acid	44
6. Pesticides BHC	46
7. Sewing Machines	50
8. Agricultural Tractors	51

(ii) In some industries the production capacity licensed has been less than the targets set for them during the Third Plan period. For example in the case of Newsprint, Compressors and Pesticides, the capacity licensed was 25 per cent, 42·5 per cent and 68 per cent of the targets laid down for them.

(iii) In a number of industries the production capacity actually set up has been much less than the capacity licensed. For instance, in respect of steel forgings, steel castings and c.i. pipes the capacity installed was 26 per cent, 28 per cent and 33 per cent of the capacity licensed.

(iv) There has been wide difference between the production capacity set up and the actual production achieved, as for instance in the following cases:

	Percentage of actual production to the production capacity installed
1. Pulp and Paper Machinery	44·5
2. Steel casting	48·8
3. VIR and PVC	50
4. Winding Wires	74

(v) It is also noticed that in a number of cases the licenses issued are for much higher capacity than the production targets set for them in the Third Plan as well be observed from the following letter:—

Name of Industry		Third Plan target	Existing capacity as on 1-4-1966	Total licensed capacity including existing capacity
1. Steel castings . .	Th. tonnes	200·00	122·72	428·17
2. Steel Pipes & Tubes	,,	450·00	360·68	1426·08
3. Tungsten Carbide .	tonnes	48·00	84·00	280·00
4. Paper insulated .	Miles	4,500	3,960	11,628
5. Dry batteries	Mill. Nos.	400·00	289·50	586·50
6. Cellulose Acetate	tonnes	6,700	Nil.	13,350
7. Polyesters . .	,,	1,340	600	3,420

2.59. The Committee regret to note that there have been persistent shortfalls in production in some of the basic industries, for example, cement, fertilisers, etc. during the successive plan periods. It is a matter of concern that while the targets of investment including the foreign exchange component envisaged in Plans, have been largely achieved and in fact exceeded during the Third Plan, the production targets in the industrial sector have lagged behind. In some cases, even the licences issued are below the Plan production targets. Even the capacity which has been installed, was not put to full use in many cases. Large number of licences have been issued which remained infructuous. All this would appear to indicate the deficiencies in planning and industrial licensing. The reasons for the shortfall in achieving the production targets, given by the Ministry viz. inter-linkage of industries, less rate of growth of national income, shortage of raw materials, lack of adequate foreign exchange, and less profitability of certain industries, would underline the need for basic change in the drawing up of industrial programme for the Plan period.

.....

As regards industries, particularly those catering for non-essential consumer goods, the targets of capacity and production may be indicative so that these could be rolled forward or backward in the light of development and achievement.

2.60. The Committee are greatly concerned at the issue of licences much in excess of the targets as it tends to give a misleading picture about the industrial capacity and keeps away genuine entrepreneurs from coming into the field. This practice also encourages foreclosure of licencing capacity by interested parties/groups who do not implement licences and thereby keep away competition from these industries.

The Committee recommend that a strict watch should be kept on the progress made by licensees in order to ensure that they take effective action to implement the schemes within the stipulated time, failing which, the licences should be revoked or transferred to other parties. The Committee would also suggest that a review should be made of all the unimplemented licences issued upto December, 1966 with a view to revoke those, where no significant progress has been made so far.

D. Under-utilisation of Industrial Capacity

2.61. The Committee desired to know the specific industries wherein the capacity had been under-utilised during the years 1963-64, 1964-65 and 1965-66 due to over-licensing, non-allotment of foreign exchange and non-availability of scarce raw materials etc. Government in a written note have furnished the following information in this respect:

Name of Industry	Extent of under-utilisation			Measures taken for fuller utilisation of capacity.
	1963-64 %	1964-65 %	1965-66 %	
1	2	3	4	5
Due to Over Licensing				
1. Sheet Glass .	18·5	49·7	50·8	Additional capacity has been banned and this position is expected to remain so until the already installed capacity is effectively utilised. For sheet, wired and figured glass, the additional step taken is to export these products through the STC.
2. Wired & figured glass	97·5	50·5	75·0	
3. Particle board	73·0	74·0	65·0	
4. Refractories	21·1	28·4	44·1	

1	2	3	4	5
Due to non-allotment of foreign exchange and non-availability of scarce raw materials etc.				
1. A.C.S.R.	Nil.	20	40	These industries are now on the priority list for allocation of foreign exchange/ raw materials.
2. Winding wires	Nil.	20	20	
3. Room Air-conditioners	50	50	40	
4. Sewing Machine	9 (Due to strike in one of the leading factories)	43	5	
5. Ball & Roller Bearings	13	10	29	This industry is now on the priority list for allocation of foreign exchange/raw materials.
6. Bicycles	19	18	9	Do.
7. Commercial Vehicles	52	13	11	For the current year 1966-67 adequate foreign exchange has been provided and it is expected that the capacity will be fully utilised.
8. Cars & Jeeps	32	18	6	
9. Motor/cycles/Scooters etc.	56	44	25	
10. Construction Equipment	71	57	39	
11. Agricultural Tractors	72	62	49	
12. Diesel Engines	45	15	14	
13. Power-Driven Pumps	47	23	13·5	
14. Aluminium Foils & container strips	52	51	50	
15. Cintered parts	50	45	29	
16. Nickel Anodes	77	70	65·5	

1	2	3	4	5
17. Brass/Copper Semis:				
(*a*) Excluded rods and sections.	40	39	41	
(*b*) Pipes & Tubes .	91·3	90	86	
(*c*) Indle-rolling strips/ sheets.	55	58	60	
(*d*) Commercial rolling .	75	75	87	
(*e*) Zn. Strips and sheets (Batteries & printing)	19	4	9	
(*f*) Pb. sheets	54	55	76	
(*g*) Pb. tubes .	62	54	64	
(*h*) Arcs. & Cd. Copper rods (Rlys.)	75	91	92	
(*i*) Zari & Cu. Wire for non-electric uses .	53	58	83	
18. Non-ferrous alloys:				
(*a*) Cu. base alloys	66	69	65	
(*b*) Pb. base alloys.	41	18	23	
(*c*) Sn. base alloys	50	47	57	
(*d*) Zn. base alloys	43	34	25	
(*e*) Al. base alloys .	73	48	70	
(*f*) Resin cored solder wire.	63	70	62	
19. Oxygen Gas . .	12	21	20	These industries are now on the priority list for allocation of foreign exchange/ raw materials.
20. Dissolved Acetylene Gas.	20	25	35	
21. Carbon Dioxide Gas	50	55	17	
22. Nitrous Oxide Gas .	18	Nil.	Nil.	

2.62. In their study of Under-Utilisation of Industrial Capacity, the National Council of Applied Economic Research have indicated that the overall percentage of under-utilisation of capacity in the country was 10.45 per cent on existing working schedules in 1964 and that it would be of the order of 18.35 per cent on desirable working schedules. What is more significant, according to the Council, is that in certain important sections like metal products, machinery and transport equipment, the percentage of under-utilisation, on desirable multiple shift working is of the order of 31 per cent to 55 per cent. The following factors have been indicated as responsible for under-utilisation in so far as the respondent firms (based on 129 numbers) are concerned:—

1. Shortage of raw materials.
2. Shortage of foreign exchange.
3. Labour troubles.

2.63. It has been stated that "Out of a total of 129 returns, 103 units, i.e. nearly 80 per cent, have reported raw materials as one of the major battlenecks in the production. Following is the break-up of the nature of difficulties, experienced in the procurement of raw materials, reported by these 103 manufacturing units:—

Serial No.	Type of Problem	Number of units reporting
1.	Import restrictions on raw materials	60
2.	Uncertain deliveries of materials	49
3.	High cost of materials	45
4.	Poor quality of materials	41
5.	Variation in quality of materials	36
6.	Inadequate supply of indigenous materials	31
7.	Certain materials not available indigenously	10
8.	High cost of transport	3

The Council has indicated that due to non-standard quality of raw material, the extent of loss in certain industries has been as high as 75 per cent.

2.64. In the cncluding para of their study the Council has summed up the position in the following words:—

> "The list of factors is not meant to be exhaustive. It is rather meant to draw the attention to some of the major constraints affecting the full use of the productive potential this country possesses. The fact that our survey of even these factors lacks so much in quantitative estimation of our requirements is, perhaps, an index of the neglect of this problem both at the hands of the authories and of the business community."

2.65. Asked during evidence to state the remedial measures taken after devaluation, to make for better utilisation of existing unutilised capacity, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "We are aware of the fact that particularly during the last year owing to the difficulties in making sufficient foreign exchange available for import of raw materials, many industries were working well below the capacity and this is a matter which has been causing us serious concern. We are aware that there was substantial fall in industrial production as a result of this. But as you know recently with the further improvement which has taken place in the availability of foreign exchange for maintenance requirements we have placed 59 industries on practically a free list for importing their maintenance requirements. Even the other industries, which are small scale industries, also have been given or are being given now very much larger maintenance imports than they used to get. As regards the non-priority industries, there also some allocation has been made which will enable these industries to run to a greater proportion of their capacity than was possible last year." Supplementing the reply, the Secretary of the Ministry of Commerce stated that "Partial utilisation of a particular industry may be due to two reasons: one lack of demand and secondly lack of raw materials on intermediates for it to work to its full capacity. So far as the second reason is concerned, the latest licensing policies which were announced by Government in the wake of the change in the parity of the rupee are well known. Licenses have been issued freely to industrial people for utilising them to the extent to which in their judgment their product will have a demand in the market. In so far as it lies within the power of the Government, it is our belief that in consequence of this licensing policy all under-utlisation arising out of lack of imported material will have redressed itself within the course of next two or three months. In fact, according to our information, already a number of industries have increased their production. In so far as partial utilisation is due to lack of demand, it would rise only from the general tempo of the economy.

After it catches up, the whole of the installed capacity will be utilised."

2.66. In reply to another question, the Secretary of the Ministry of Commerce gave an assurance that after devaluation the installed capacity of industrial units would not lie idle due to lack of maintenance requirements and components.

2.67. The attention of the Government representatives was also drawn to the following portion of a speech of a Member of the Planning Commission:

> "The absurdity and the economic waste of allowing a lot of capacity, a good deal of it installed with imported machineries and incurring loan servicing liabilities payable in foreign exchange, to remain idle have not been sufficiently appreciated. To start with we have not posted ourselves, as we always should, with a dependable framework of desirable allocations from our point of view as between maintenance requirements and creation of new capacities. In the result, in the quantum of the aid forthcoming, there has been a persistent imbalance in the aid allocations to these two components. As a consequence, especially when the squeeze came, in many cases, large volumes of production have had to be sacrified for disportionately small amounts of foreign exchange outlay on maintenance imports."

2.68. The Economic Adviser of Ministry of Industrial Development and Company Affairs clarifying the position stated that "The real problem is as to what is to be defined as 'capacity'. It is extremely difficult to make any accurate calculation of the extent of under-utilisation of capacity, partly because of the technical processes being what they are. It is quite often that there are built-in imbalances in the plant, so one has to be a little more careful about what is meant by under-utilisation of 30 or 50 per cent. But quite apart from that, the real difference in the utilisation of capacity ordinarily arises because a particular industrial group's description includes both 'high priority' as well as 'low priority' items. To take an instance: take the case of non-ferrous metal products. It can include the type of non-ferrous metals required for the engineering industry and it can also include the making of utensils for which machinery is easily available locally and installed. Given these two things, it is impossible to check the growth of low priority industry because machinery for this could be obtained locally. At the same time, where the capacity comes into being, it has to be reckoned as capacity on par and there you will find a considerable

under-utlisation of capacity. But that is not to deny that shortage of foreign exchange for maintenance requirements was one of the reasons for the under-utilisation of capacity."

2.69. The Committee are constrained to note that in 1965-66 the capacity in some industries remained unutilised to the extent of 80—90 per cent. Even in some priority industries the under utilisation has been as high as 40 per cent. The Committee note that the installed capacity of certain industries particularly in the cases of Sheet Glass and Refractories where under-utilisation has progressively increased from year to year remained under utilised due to over-licensing. In this connection, the views of a Member of the Planning Commission that "The absurdity and the economic waste of allowing a lot of capacity, a good deal if it installed with imported machineries and incurring loan servicing liabilities payable in foreign exchange, to remain idle have not been sufficiently appreciated" are very pertinent.

While the Committee appreciate the recent decision of Government to include certain industries in the priority list for meeting their full requirements of foreign exchange, they hope that a careful watch would be kept over the progress of these industries, particularly in respect of those which have been working below capacity due to non-availability of foreign exchange.

It is well known that Indian manufactured goods are generally high priced which stands in the way of their exports. Since one of the reasons for the high price is the under-utilisation of the installed capacity, because the products have to bear all the overheads, incidentals, depreciation, interest and other things, the Committee hope that with the fuller utilisation of capacities in these industries, the cost of production would be reduced.

The problems of raw materials and foreign exchange are no doubt widespread and deserve to be tackled in right earnest, but due attention requires to be paid to the trend that has lately emerged in the shape of growing imbalance between production and demand resulting in accumulation of stocks and under-utilisation of capacity in several sectors of the industrial economy. The Committee would urge that the causes of under-utilisation of the installed capacity may be gone into thoroughly with a view to see as to how far the idle capacity can be utilised for import substitution.

2.70. The Committee would also suggest that there should be effective coordination between the two wings of the Ministry of Industrial Development and Company Affairs, dealing with scheduled industries and small scale sector so as to ensure optimum utilisation of resources in both the sectors. ....

E. Industries where Co-operative Units have been set up

2.71. One of the objectives of Industrial Policy Resolution of 1956 is to encourage co-operation in the industrial sector. The resolution states that "as an agency for planned national development, in the context of the country's expanding economy, the private sector will have the opportunity to develop and expand. The principle of co-operation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector developed along co-operative lines."

2.72. According to the information furnished to the Committee, co-operatives have been licensed in the following industries:—

1. Sugar.
2. Cotton Textiles.
3. Vegetable Oil including Solvent Extracted Oil.
4. Jute.
5. Milk Products.
6. Wool Combing.
7. Industrial Alcohol.
8. Food Processing.
9. Other Processed Food.
10. Match Industry.
11. Abrasives.
12. Paints, Varnishes and Enamels.

2.73. A brief review of the important co-operatives is given below:—

(i) *Sugar*

The number of cooperative sugar factories in 1965-66 rose from 57 to 65 out of the total number of 219 sugar factories in the country licensed/registered under the Industries (Development and Regulation) Act. Of the lisensed capacity of 41.27 lakh tonnes for the sugar industry as a whole, the cooperative sector accounts for 11.87 lakh tonnes, representing 28.7 per cent of the total. 51 sugar factories were in production during 1965-66. The share of the co-operative sector in national production of sugar increased from 1.6 per cent in 1955-56 to 24.7 per cent in 1964-65. As on 30th June, 1965 the membership and paid-up share capital of 57 cooperative sugar factories were 2.48 lakhs and Rs. 24.33 crores respectively. The membership included 2.27 lakhs of sugar cane growers representing nearly 92 per cent of the total. 64 per cent of the total share capital was contributed by members.

(ii) *Cotton Textiles*

At the end of the cooperative year 1963-64, there were 47 spinning mills in the country having a membership of 32,000 and a working capital of Rs. 13.15 crores. Out of these, 21 spinning mills earned a profit of Rs. 21 lakhs. By 30th July, 1966 the number of Cooperative Spinning Mills increased to 68.

(iii) *Vegetable Oils*

The cooperatives have recently entered into the field of secondary processing of oil seeds to undertake solvent extraction of oil cake. So far four units have been established of which one is in production for over two years and the rest were expected to start their operations by the end of 1966. These units propose to establish vanaspati manufacturing plants, cattle feed etc. to bring end products under cooperative processing. The total paid up share capital of these 4 units amounts to Rs. 45.17 lakhs of which a sum of Rs. 23.88 lakhs has been contributed by the State Government.

(iv) *Jute*

It is proposed to set up four jute mills in the cooperative sector. One cooperative jute mill has already been licensed and applications for grant of license in respect of others are under consideration.

(v) *Milk Products*

Three milk product units have been licensed so far out of which Kaira Dairy Farm, makers of Amul Butter etc., is well known.

One Wool Combing Plant has been licensed in Punjab and is being set up. Three units have been licensed for production of industrial alcohol, while one unit each in matches and paints, varnishes and enamels have been licensed. Licence has been given to one abrasives unit which is supplying abrasives to many large concerns including Tatas. Three cooperative units—one for food processing and two for other processed food industries have also been licensed.

2.74. The Committee have been informed that Government propose to encourage cooperatives in the following industries in the Fourth Plan period:

(i) Fertilizer industry.

(ii) Production of Potassium Chlorate for match cooperatives.

(iii) Salt works and allied industries.

(iv) Cycles and cycle parts.

(v) Charcoal.

(vi) Lime.

(vii) Rice bran oil.

(viii) Pharmaceuticals.

2.75. The Committee note that a number of cooperative factories have been set up in sugar and cotton textiles. The progress of the cooperative sector in other industries has not however been quite satisfactory. The causes for this state of affairs may be examined and effective measures taken by Government to ensure their proper working and growth.

F. Appraisal of Plans

Review of Plans

2.76. It has been stated that the Review of the First Five Year Plan was published in 1957, and that no review of the Second Five Year Plan as such has been prepared by the Planning Commisson. As regards the Third Five Year Plan, the Committee have been furnished with the following information:—

> The following documents contain the review in respect of major industries:—
>
> (i) Third Five Year Plan Progress Report 1961-62;
>
> (ii) Third Five Year Plan—A Mid Term Appraisal;
>
> (iii) Third Five Year Plan Progress Report 1963 to 1965.
>
> A review of the progress for the year 1965-66 has not yet been made by the Planning Commission. However. on the basis of the information available the likely achievements of the Plan targets during 1965-66 for important industries have been given in the Draft Outline of the Fourth Plan.

2.77. Asked during evidence whether Government had done something to extend the period of the Plan where the targets had not been achieved in the stipulated period as had been done in some other countries, the representative of the Planning Commission stated during evidence, that:—

> "This question relates to technique of planning. Under the technique followed in India and many other countries when a plan is made, it is for a particular period and at the end of that period short-falls in targets are judged. There is an alternative method of constantly reviewing and revising the plans so that at the end of the Five

Year period, the shape of the plan itself undergoes a major change and does not bear any relation to the intention of the original plan. This will be different technique of planning under which a review is made at the end of each year and the period of the plan extended with revised targets. This is called 'rolling plan'. The method adopted in this country is that a review is made at the end of five years. Of course, there are also mid-term appraisals and annual reviews and, I would like to submit that the plan targets should not be changed unless there are serious reasons for the same".

2.78. The Committee regret to note that the Review of the Second Plan has not yet been published though six years have elapsed since the completion of the Plan. They find that the Review of the Third Plan, as a whole, has also not yet been prepared. The Committee considered that for realistic planning, it is necessary that the targets laid down in the earlier plan are reviewed and the reasons for their shortfalls indentified, analysed and publicised and responsibility fixed therefor. This is all the more necessary at the present juncture when there is so much controversy about the nonfulfilment of targets in certain key sectors, and their effect on the contents and strategy of development for the Fourth Plan.

The Committee urge that Government should bring out comprehensive and critical Reviews of the Second and Third Plans, without delay.

2.79. Government should also ensure that evaluation of the Plan achievements is done annually and is presented to Parliament regularly to enable Members to have more informed discussions and offer constructive suggestions which would no doubt prove of great value to Planning Commission/Government in finalising the contents and strategy of the plan for the following year.

Publicity of Plan Targets

2.80. Rule 14 of the Registration and Licensing of Industrial Undertakings Rules, 1952, empowers the Government to "invite by means of a notice published in the Gazette of India, applications for the grant of licences for the establishment of new industrial undertakings in any scheduled industry."

2.81. It has been suggested to the Committee by a leading manufacturing organisation that for rapid development there is need for giving "full publicity throughout the country at the commencement of every year to the capacity that would be licensed for various industries during the course of the year. The Director of

Industries and the DGTD should also have a service department fully equipped to inform an entrepreneur at any time about the scope of licensing with regard to an industry. They should have an uptodate index of capacities to be established, capacity booked and capacity open for licensing in various industries along with the special facilities and other favourable factors attached with a particular site."

2.82. Asked during evidence whether any applications for licences had been invited by Government under Rule 14 of the Registration and Licensing of Industrial Undertakings Rules, 1952, the Secretary of the Ministry stated that "This is not a normal procedure that we advertise for every industry because the Plan document is given such wide publicity in the country that all possible investors know exactly what are the items likely to be available for licensing but occasionally where we feel it necessary to draw pointed attention to a particular industry some publicity is given. In reply to a query he added that the public notice was not published in the Gazette of India as laid down in the Rules but only a press note was issued. The Committee have been informed subsequently that some of the industries in respect of which press notes were issued were:

1. Sugar.
2. Solvent extraction process for oil.
3. Scooters.
4. Composite schemes for the manufacture of Hydrogen Cyanide, Methyl Methacrylate and polymethyl-methacrylate.

It is added that "the industries in which there is scope for creation of additional capacity are published periodically to enable prospective entrepreneurs to apply for industrial licences therefor. As regards the regions where they are to be set up, entrepreneurs themselves indicate the region where the industry is to be set up taking into account the technological and economic factors. Wherever necessary, they are advised to put up the industry in a particular region."

2.83. Asked during evidence as to what positive role was played by the Ministry of Industrial Development and Company Affairs in encouraging the development of various industries for which targets were fixed in the Plans, the representative of the Ministry of Industrial Development and Company Affairs stated that his Ministry acted in very close consultation with the D.G.T.D. whose Development Officers were in constant touch with the industries and new entrepreneurs. He added that where further investment was

desired in the national interest the Plan targets were sometimes advertised by the Ministry. Elaborating the position further the Economic Adviser stated as under:—

> "Normal practice is that twice a year a list of industries where licensing would be freely allowed is drawn up. This list is drawn up and it is widely publicised in the sense that all newspapers carry the names of industries where licensing is still to be permitted. In addition, whenever there is a meeting of Central Advisory Council we prepare a statement showing, in considerable details, the amount of capacity already licensed, the plan targets of individual industries and the extent to which further licensing capacity is to be allowed. These all receive publicity thus enabling the intending entrepreneurs to know which areas are open."

2.84. As to the suggestion for having a service department it has been stated that "D.G.T.D. is a service department. So far as the small scale entrepreneurs are concerned there are Service Institutes spread all over the country and the small scale entrepreneurs can get advice from these Institutes."

2.85. The Committee find that full particulars of industrial capacities available in various industries in different regions of the country are not being adequately publicised. They regret to note that even the provisions made in the Registration and Licensing of Industrial Undertakings Rules 1952, for inviting applications for the grant of licences for establishing new industrial undertakings by means of a notice published in the Gazette of India are not being implemented.

The Committee consider that Government should invariably give full and extensive publicity through all available media including the Gazette of India to the capacity that is to be licensed for various industries during the year/specified period particularly for industries falling in the group of key/basic industries. This would stimulate competition among the intending entrepreneurs and thereby enable Government to select the most economical and competitive propesal, i.e. a proposal which would involve least capital cost, lowest foreign exchange for capital and maintenance imports, and would make for the lowest unit cost and sale price. The Committee would also suggest that suitable arrangement should be made, in the existing set up, to make readily available essential data such as capacities licensed and developed so far, the estimated demand for the commodity, the international price etc., to intending entrepreneurs. This would also ensure that the em-

phasis would be shifted from mere chronological receipt of applications to their competitiveness based on merits, contents and potential contribution to the economy of the country.

G. Some Important Industries

(a) *Heavy Engineering Industries—Machine Making Industries*

2.86. The need for a large and efficient engineering industry is unquestioned.

Modern engineering forms the basis of large scale production and rapid industrialisation. It is now generally recognised that the transition from the "take-off" to the "self-sustained" stage of growth can be facilitated by developing modern engineering industries. The engineering industries in India began to be established with the development of the steel industry towards the close of the 19th century to cater to the requirements of Indian Railways. When the steel industry was started in India shortly before World War I, it opened up great opportunities for the progress of the engineering industries. Prior to the achievement of Independence, engineering industries contributed only a small share in the total industrial output of the country. Engineering units at that time were largely engaged in the early stages of production *viz.* the tooling-up stage. Furthermore, establishments, then, were also not well-organised. After Independence, however, there has been a remarkable development of engineering industries in a relatively short time.

2.87. Almost all the machinery and equipment for industrial development in the First Plan was imported. This brought into sharp focus the need for developing basic industries. Accordingly, the machine building and engineering industries were given high priority during the Second and Third Plans in order to provide a sound base for the production of a wide range of capital goods and intermediates. As a result, imports of a number of items of mechanical and electrical equipment and machinery are either no longer necessary now or have been reduced considerably. These include: Commercial vehicles and other automobiles, wagons, road rollers, sugar, cement and textile machinery, electric motors below 200 HP, distribution transformers, L.T. switchgears, industrial boilers, tea processing machinery diesel engines, power driven pumps, ball bearings, mechanical handling equipment, telephone equipment and teleprinters.

2.88. In the field of heavy machine building, power generation equipment, diesel and electric locomotives, machinery for steel-making, coal and other mining and the production of instruments

large investments have been made during the Third Plan. However, the full rated production from some of these investments has not yet been attained. These investments have brought within reach the goal of self-sustaining growth in several fields like power generation and transmission, transport and communications steel and coal mining. As for machine tools, the production is stated to have quadrupled during the Third Plan period.

2.89. The Planning Group in their Report on Machinery Industries for Fourth Five Year Plan have *inter alia* stated that "The development of capacity for machine building is a continuous and long drawn process. It is neither possible nor desirable to fragment it in Five Year segments. In respect of many industries, the gestation period is so long that the Fourth Plan targets have to be related to the demand during the Fifth and subsequent plan periods rather than in the Fourth Plan itself. The priority which is being accorded to agriculture has its own repercussion on the machine building industries. On the one hand plants to manufacture agricultural machinery like tractors, power tillers, pumps etc. which are direct inputs for agriculture sector, have to be established. At the same time, fabrication shops to manufacture chemical plants which will produce different inputs for agriculture and consumer products have to be assigned priority." The Group have further stated that "The experience has been that due to insufficient availability of intermediate products like castings, forgings, gears, bearings, pipes and tubes etc. the machine building capacity has been grossly under-utilised. This is a national loss and the Group feels that establishment of such industries which will optimise the utilisation of existing or proposed machine building capacities should be accorded the highest priority. A very important step in optimising production capabilities is the development of engineering and design facilities. Development has to be in a sequence in which capacity for production and capacity for making the equipment for such production as well as the ability to design and the ability to produce follow each other in close harmony."

2.90. Keeping in view the imperative need for stepping up exports. the Fourth Plan programme for machine building aims at achieving the following objectives:—

(a) to reach the goal of self-sufficiency and develop a measure of export potentiality in respect of those industries which are well established; e.g. transformers, motors, electrical transmission equipment, pumps, diesel engines, commercial vehicles, wagons, industrial plants such as sugar and cement plants, textile machinery etc.;

(b) to consolidate the position and establish a sound base for future expansion in respect of heavy industries such as power generation, steel and mining equipment; and

(c) to fill the specific gaps in the spectrum of machine-building capacity, *e.g.* heavy pumps and compressors, heavy plate and vessels, seamless steel tubes, marine diesel engines and other ancillaries for ship-building, electronics, etc.

2.91. The Planning Group for Machinery Industries has suggested the following programme for export of heavy engineering industries during the Fourth Plan (1970-71):—

Item	(Rs. million)
1. Electrical Machinery	80
2. Transport, construction and Agricultural Machinery	254
3. Machine Tools	120
4. Industrial Machinery and Engineering Industries	418
TOTAL	872
	Say a Rs. 875 million.

2.92. The statement a Appendix V gives an idea of capacity and production in 1960-61, targets and estimates of capacity and production for 1965-66 and tentative targets for 1970-71 (4th Plan) for selected machine building industries. Some of these industries are discussed below:—

(i) *Machine Tools*

2.93. The Planning Group on Machine Tools has attached greatest importance to this Industry due to its vital role in the development of machine building industry which in turn lays the foundation for a self-sustained growth of industries. Due to rapid growth in the industrial sectors there has been a very steep rise in the demand for machine tools. In the past decade the Indian machine tools industry has made rapid progress. The Group feels that as this industry occupies a pivotal role in the process of industrialisation, the country should attain self-sufficiency *i.e.* approximately to the extent of 85 per cent of the overall demand by the end of Fourth Plan.

2.94. The Working Group on Machine Tools has suggested that in order to achieve the above mentioned goal and also keeping some provision for exporting approximately 10 per cent of the output, following targets should be accepted for the Fourth Plan:—

Item	Capacity	Production	Demand
		(Rs. million)	
Machine tools—total of which			
1. Group (A) metal curing and forming type	1130	1030	1320
2. Group (B) metal forming, foundry, hand tools etc.	180	160	330
	1310	1190	1650

The Group expected that by the end of the Third Plan a capacity to manufacture machine tools worth 375 million would have been established, while the investment already made by Third Plan schemes would eventually establish a capacity of Rs. 450 million.

2.95. The following table shows the percentage of imports to the total supplies, together with the original estimates of imports in respect of Machine Tools during each year of the Third Plan period:—

Year	Percentage of imports to the total supplies	Original estimates of imports
1961-62	67·5	
1962-63	60·7	
1963-64	66·8*	Not available
1964-65	51·5	
1965-66	57·8	50% amounting to Rs. 80 crores

*This was perhaps due to large scale imports against requirements of Defence factories

2.96. Based on the demand and production targets as laid down by the 'Working Group of Planning Commission' the estimated percentage of imports to total supplies during he Fourth Plan is:—

Year	Estimated percentage
1966	46%
1967	42%
1968	37%
1969	32%
1970	25%

It will be seen from the above statement that the production target fixed in the last year of the Fourth Plan leaves a gap of 25 per cent which has to be covered by imports. It has been stated that in the machine tool industry, it is not economically and technically feasible to manufacture each and every type of machine. There are certain machines where the demand is very limited and the manufacture of which is specialised by a few companies in the World. It is stated to be more economical to import such machines instead of trying to manufacture them.

2.97. The Committee understand that the H.M.T. Factory, the premier public sector undertaking has been finding great difficulty in disposing of its machines. At the end of 1966, machine tools worth Rs. 350 lakhs are understood to be lying unsold at the factory.

With a view to achieve the production target envisaged, the following steps are stated to have been taken are being taken by Government:—

Public Sector

(i) Expansion of production capacity of Hindustan Machine Tools to more than double;

(ii) Two more units are proposed to be set up at Ajmer and Bhavnagar; and

(iii) Steps are being taken to expedite the early production in the Heavy Machine Tools Factory at Ranchi.

Private Sector

(i) Most of the existing leading units are expanding their capacities;

(ii) It is expected that quite a few large and medium sized units would come into production.

2.98. In order to make the industry self-reliant in respect of technical know-how and designs, a designing Institute named Central Machine Tool Institute has been set up by the Government. The Institute has already taken in hand design work of a number of important machine tools which they propose to hand over to the individual manufacturer for regular production. The Institute has also facilities to conduct exhaustive tests of machines manufactured by individual entrepreneurs and offer necessary comments for improvement in the designs.

(ii) *Sugar Mill Machinery*

2.99. The demand for sugar plant machinery has to be co-related to the annual increase in the sugar making capacity, which has remained a controversial subject. The Planning Group for Machinery Industries for the Fourth Plan has assumed that sugar capacity will increase from 3.2 million tonnes in 1965-66 to 4.5 million tonnes in 1970-71, implying a rate of growth of approximately 7 per cent per annum. On these assumptions, the annual addition to sugar making capacity would be about 220,000 tonnes by 1965-66 and approximately 300,000 tonnes per annum by the end of Fourth Plan. Approximately 18 months lapse between the manufacture of the equipment and its commissioning for sugar production. To this extent machinery manufacturing capacity will have to be ahead of sugar production target and will have to be for about 325,000 tonnes sugar per annum by 1970-71.

2.100. It has been stated that the capacity and production targets for the sugar mill machinery by the end of the Third Plan period are Rs. 16 crores and Rs. 14 crores worth per annum respectively. It is estimated that the demand would go upto Rs. 21 crores by the end of the Fourth Plan period.

2.101. According to present practice, sugar plant manufacturers fabricate approximately 55 per cent (by cost) of he plant, importing 15 per cent and procure the rest indigenously. In order to supply plants and equipment total Rs. 20—22.5 crores per annum by 1970-71 the output of plant manufacturers will have to be around Rs. 12 crores.

2.102. The following table shows the percentage of imports to the total supplies, in respect of sugar mill machinery during each year of the Third Plan period:

Year	Production (Rs. lacs)	Imports including spares (Rs. lacs)	Total supplies (Rs. lacs)	Percentage of imports to total supplies	Original estimates of imports
1961-62 .	466·5	75·2	541·7	14	Not available
1962-63 .	643·2	28·8	672·0	4·3	Do.
1963-64 .	578·2	30·5	608·7	5	Do.
1964-65	807·0	39·4	846·4	4·5	Do.
1965-66 .	808·0	38·4	846·4	4·5	Do.

2.103. There are, at present, seven main producers who are capable of manufacturing complete sugar plants. All these companies have collaboration agreements with well-known foreign manufacturers. In addition, there are a number of other general engineering units which can undertake the manufacture of specified items of sugar machinery against orders.

It has been stated that "During the early period of the Third Plan licensing of additional capacity for the manufacture of sugar was banned and this resulted in lack of orders with the machinery manufacturers resulting in under utilisation of capacity. They were, therefore, advised to diversify their production by undertaking the manufacture of other types of machinery like cement and paper machinery. Many of the companies have already diversified their capacity.

2.104. About the export of sugar machinery, the representative of the DGTD stated, during evidence, that "we have now plans for installing sugar mills in Africa. Already things are being organised and orders are being placed for sugar machinery by Africa." In regard to import content of the machinery produced indigenously, he added that "In the case of sugar machinery we are spending about Rs. 8 to 9 lakhs (pre-devaluation) foreign exchange for one plant costing Rs. 1 crore. Our capacity is 14 plants per year and production may be 10 or 12 plants per year."

(iii) *Cement Machinery*

2.105. The following statistics give the capacity and production of cement machinery during the Third Plan period:

(Rs. crores)

Progress 3rd Plan

1960-61 Actual		1960-61 Actual		1961-62 Actual		1963-64 Actual		1964-65 Actual		1965-66 Target	
Cap.	Prod.	Cap.	Prod.	Cap.	Prod.	Cap.	Prod.	Cap.	Prod.	Cap.	Prod.
1·1	0·6	4·5	0·9	5·3	0·7	N.A.	0·96	N.A.	2·2	4·5	4·5

2.106. It has been stated that there are 7 units which are licensed for manufacture of cement making machinery. All these are general engineering workshops and the manufacture of cement making machinery is only one of their lines of manufacture. All the workshops are stated to be well-equipped and ready to take orders for manufacture of cement making machinery. It is stated that import of complete cement making plant is banned.

2.107. According to Planning Group for Machinery Industries, at present approximately 30 per cent of the plant (by cost) is imported, about 50-60 per cent is fabricated by the plant manufacturers and the rest is procured from other indigenous sources.

2.108. The following table shows the percentage of imports to the total supplies in respect of cement mill machinery during each year of the Third Plan period:

Year	Production (Rs. lacs)	Imports including spares (Rs. lacs)	Total supplies (Rs. lacs)	Percentage imports to total supplies
1961-62	90·8	39·4	130·2	30%
1962-63	71·2	23·2	94·4	24%
1963-64	96·4	38·0	134·4	28·5%
1964-65	214·2	81·9	296·1	27·6%
1965-66 . .	490·8	100·3	591·1	17%

2.109. Government constituted a Technical Committee in 1965 consisting of representatives of the cement machinery manufacturers, cement producers and Government Departments concerned, to go into the problems of this industry. The main recommendation of this committee was that the foreign exchange content of the indigenous plants should be brought down from Rs. 45 lakhs to Rs. 30 lakhs per plant. The recommendation is stated to have been accepted by Government and the import applications of the manufacturers cleared on this basis.

2.110. The representative of the DGTD stated during evidence that "We started organising production of cement machinery in 1964-65. In 1964 we gave additional licences for capital equipment and in 1965 we went round the country to mobilise all the internal availability. So, the foreign exchange was brought down. Today 15 plants are being manufactured in the country." The main hurdle in the way of improvement of the indigenous capacity of cement machinery industry is stated to be lack of suitable indigenous steel castings, forgings and electrical equipment like heavy motors, which have to be imported. Another problem facing the industry is the lack of sufficient orders.

(iv) *Textile Machinery*

2.111. The textile industry has a very important role to play in the industrial life of a country. The Indian cotton textile industry dates back to 1854 when the first mill started production in Bombay. Stray attempts had been made even earlier, such as, the one in 1813 when a cotton mill was started in Calcutta. But barring this and a few other isolated instances, the industry came to be established only in 1854. The requirements of textile machinery are co-related to the increase in the textile production capacity and also rehabilitation and modernisation of existing mills.

2.112. A statement showing the percentage of imports its total requirements of machinery for cotton Mills and Silk/Art Silk Mills during the 3rd Plan and 4th Plan is appended below:—

(Rs. crores)

Third Plan Estimates					Third Plan actual performance				Fourth Plan Estimates				
	Availability				Availability					Availability			
	Requirement	Indigenous	Import	% 4/2	Indigenous	Import	Total	% 7/8		Requirement	Indigenous	Import	% 13/11
1	2	3	4	5	6	7	8	9	10	11	12	13	14
					Requirement of Cotton Textile Machinery								
1961-62 .	39	13	26	66·7	11·3	7·6	18·9	40·2	1966-67	44	34·0	10	22·7
1962-63 .	39	14	25	64·1	14·7	9·3	24·0	38·8	1967-68	48	39·5	8·5	17·7
1963-64 .	39	16	23	59·0	18·5	8·7	27·2	32·0	1968-69	54	45·5	8·5	15·7
1964-65 .	39	19	20	51·3	21·1	8·7	29·8	29·2	1969-70	58	51·0	7·0	12 0
1965-66	39	21	18	46·2	21·4	12·5	33·9	36·9	1970-71	62	55·0	7·0	11 3
Total :	195	83	112	..	87 0	46·8	133·8	..	Total :	266	225·0	41·0	
					Requirement of Silk/Art Silk Weaving Machinery								
1961 66	12 5	4 0	8 5	68 0	5.3	3 4	8.7	39.1	1966-71	17 24	6 67	10.57	61 3

2.113. It has been stated that sufficient capacities have been created for production of major items of textile machinery in the country. As would be seen from the above statement the indigenous availability of cotton textile machinery has increased annually from about Rs. 11 crores to Rs. 21 crores during 1961-62 and 1965-66 period. Besides spare parts and accessories to the extent of Rs. 24 crores were produced in 1965. Since advanced technical know-how is required for the manufacture of textile machines, spare parts and accessories to enable Indian textile machinery manufacturers to produce upto date machinery, about 90 technical collaborations are stated to have been entered into with reputed foreign textile machinery makers. The textile machinery industry has been declared as 'priority' industry and imports of raw materials and components are being allowed according to the phased manufacturing programme approved by the Government to individual makers. Government think that import of machinery, spare parts and accessories cannot be totally done away with as there are many machines which cannot be produced in the country due to inadequate demand. According to the Textile Commissioner, every country having textile industry has to import such types of machinery. The rate of progress of textile machinery industry is closely related to the economic conditions of the Textile mill industry. The targets of production laid down for the Fourth Five Year Plan would not be difficult to achieve provided there is sufficient demand from the textile mill industry.

2.114. The Committee consider that the most important issues requiring consideration in machinery manufacturing programme are the quality and design of machinery, the capital and maintenance cost, production capacity, etc. *vis-a-vis* the quality and price of machinery available in the international market. It is evident that the quality and cost of these "mother machines" would determine to a large extent whether the cost of end product would be competitive in the international market or not. It is well known that Indian economy suffers from high cost of production. The Committee feel that concerted efforts should be made by Government in conjunction with the industry (both public and private sectors) to improve the quality and design of machinery and make them in every way competitive in quality and price with the best that is available in the international market.

Coming specifically to the industries discussed earlier in the chapter, the Committee consider that as far as machine tools industry is concerned, it is faced with the twin problem of imports of more than 50% of supplies and stock accumulation of unsold machine tools by the leading public undertaking: H.M.T.

The Committee suggest that Government should examine the reasons for accumulation of unsold stock with the machine-building industry, particularly the HMT and determine whether the accumulation is ascribable to any deficiency in after-sales service or non-availability of spare parts or inability to meet customers modifications or due to lack of diversification of products.

They would also like H.M.T. to carefully analyse the imports with a view to see which additional machineries which are at present being imported in large numbers could be taken up for manufacture indigenously in the context of the development programme for the Plan.

2.115. The Committee would also like to stress the need for developing drawing and designing facilities for machinery manufacturing industries. They would like Government and the industries in the public sector and private sector to formulate a scheme for co-operative research so that the machinery manufactured in the country can keep abreast of developments in the World and maintain their competitive position in efficiency, production and cost.

(b) *Special Steel*

2.116. The Second Five Year Plan envisaged the establishment of an alloy, tool and special steels plant in the public sector. but no progress was made in this respect during the Plan period.

2.117. The Third Plan estimated the demand for alloy and special steels to be about 200,000 tonnes per year by the end of the Plan period. The break-up of this estimate is given below:—

Tools Steels	42,000
Constructional Sheets	100,000
Stainless Steels	50,000
Die and other alloy	8,000
	200,000 tonnes

The above estimate excluded the demand for spring steels, free cutting steels and electrical steel sheets which was estimated at about 150,000 tonnes. To achieve the targets laid down, the capacity licensed during the Third Plan, both in Public Sector and Private Sector was—

Public Sector ..	137,000 tonnes
Private Sector. ..	434,000 tonnes

2.118. It has been stated that the capacity actually installed by the end of the Third Plan period, all in the private sector, was of the order of 45,000 tonnes. Alloy steel project, Durgapur, started producing small quantities of alloy steels in ingot from January 1965. It is expected to go into full production towards the middle of 1967 instead of August 1968, as scheduled. The progress of the Project is stated to be behind schedules mainly due to labour troubles.

2.119. The reasons stated by Government for the shortfall in the production of alloy steels are indicated below:—

> "Production of alloy steels involves highly sophisticated processes and it takes a considerably long time between the conception of a scheme and its implementation. The time involved can generally be taken to be anything between 7 to 8 years. The main reasons are that the technical know-how in this field is not easily available and generally means protracted and often difficult negotiations with parties abroad which possess the necessary know-how. There is then the difficulty of foreign exchange required for the import of plant and equipment. Projects which might have been well conceived and the details of which were adequately worked out, get held up for long periods of time because of imports of equipment having to be made from specific countries on account of tied credits. Some schemes in the private sector also could not progress because of lack of resources."

2.120. Imports of alloy and special steels during each year of the Third Plan are as follows:—

Year	Foreign Exchange involved in rupees
1961-62	125,179,490
1962-63	137,358,059
1963-64	123,261,942
1964-65	147,613,069
1965-66	204,932,000
	738,344,560

It has been stated that the above imports "do not necessarily reflect imports made to make good the deficiency in indigenous production of alloy and special steels. These imports were made to met the minimum requirements of alloy and special steels in the context of availability of foreign exchange."

2.121. The Committee have been given to understand that the Licensing Committee at its meeting held on the 12th May 1961 approved 12 schemes for the production of special steels in the private sector. The following statement gives the names of the licencees concerned, the annual capacity licensed and the target date for achieving the production:—

Name of Licence	Annual Capacity licensed. (Tonnes)	Last date for completion*
(1)	(2)	(3)
1. TISCO	49,000	Cancelled.
2. Guest Keen & Williams	10,000 ingot 1st stage 15,000 ingot 2nd stage.	Completed. 31-12-1966.
3. S.P. Iron & Steel Co.	6,000 (including steel castings)	Revoked.
4. Khandelwal Ferro Alloys .	5,400 (including steel casting)	Revoked.
5. Punjab Rolling Mills	3,600	Revoked.
6. K.T. Rolling Mills	13,200 (including alloy rolls).	Licence transferred to Steel Makers Ltd., on 17-6-65.
7. D. Balasundram	50,000	In partial production.
8. P. Shah	3,000	Revoked.
9. Texmaco	19,000	Licence transferred to High Quality Steels.

*The targetted data for completion indicates the date as extended from time to time.

1	2	3
10. Mahindra Ugine	15,000 (30-6-66) subsequently increased to 18,000	A composite licence authorising expansion to 36,000 tonnes issued on 24-8-66. To be achieved in two years.
11. Man Industrial Corporation.	24,000	5-5-1966.
12. V. Pandurangiah	7,000	(Being extended) 30-9-1967.
	Total 2,23,200 tonnes.	

It will be seen from the above statement that out of a total licensed capacity of 223,200 tonnes, the licences of TISCO, Khandelwal Ferro Alloys, Punjab Rolling Mills, P. Shah and S. P. Iron and Steel Co., amounting to 67,000 tonnes were revoked representing about 30% of capacity licenced.

2.122. A leading federation of chamber of commerce and industry in a memorandum furnished to the Committee have represented that "There were several difficulties in the way of impltmentation of the alloy steel projecs in the private sector. In the first instance, the decision to allow private sector participation was taken rather late considering the long periods of gestation of the industry and the difficulties in procuring suitable, processes and collaborators from abroad. In the case of TISCO project, the statement of the Chairman at the Annual General Meeting of the company held in August 1963, is revealing. The relevant extract from his speech is given below:—

> I regret to report that the special alloy steel project which the company last three years has had to be shelved for the time being for two reasons: First, it has been found impossible upto now to interest a foreign collaborator for participating in the project on the conditions imposed by Government that the whole of the foreign exchange cost should be wholly provided by the foreign partner and second, the Government of India have decided that this project should be transferred to the public sector. I can

only regret this decision and hope it will be possible to revive our project at some time in the future.

2.123. Asked during evidence whether it was true that Tatas were given a licence for the production of special steels on the condition that the foreign collaborator should subscribe the whole of the foreign exchange component, the Secretary of the Ministry of Industrial Development and Company Affairs stated as under:—

"They were given a licence on condition that they must find the foreign exchange themselves, by way of foreign collaboration. They failed and so the licence was revoked."

He added that Tatas had been given subsequently a licence for special steel.

2.124. The demand for alloy and total steel by 1970-71 is placed at 500,000 tonnes. In addition, the demand for electrical sheet steels ıd low alloy high strength steels has been placed at 150,000 tonnes and 100,000 tonnes respectively. The latter will be produced in the integrated steel plants. Capacity for dynamo grade electrical sheet steel at Tatas will be expanded from 24,000 tonnes to 42,000 tonnes. A capacity of 50,000 tonnes of hot rolled electric sheet steel is under construction at Rourkela. The production of cold rolled grain oriented sheets for transformers is also being planned. It is proposed to take full advantage of the built-in capacity in the Durgapur plant and treble its capacity to 180,000 tonnes of finished tool and alloy steel. On completion of the changeover of the Bhadravati plant to alloy and tool steel with a capacity of 74,000 tonnes, a total capacity of 254,000 tonnes will materialise in the public sector. Currently, tool, alloy and special steels schemes in private sector, which are in varying stages of development, aggregate to 444,000 tonnes as under:—

(a)	in production . .	29,000	tonnes
(b)	under implementation	38,600	,,
(c)	licensed . . .	159,000	,,
(d)	letters of intens issued	217,400	,,

Together with the public sector projects, a capacity of about 460,000 tonnes is likely to materialise by the end of the Fourth Plan, leaving some gap particularly in constructional steels. This could be met through production of spring steels and free cutting steels by steel plants and by diversion of electric furnace capacity freed from this production to the production of higher alloy items. It is, therefore, expected that imports of special steels currently at about 150,000

tonnes may be more or less eliminated by the end of the Fourth Plan. In view of the vital importance of tool and alloy steel to machine-building industry and the long gestation period involved for reaching the rated production, the perspective growth of demand for tool and alloy steels rather than merely the needs of the Fourth Plan will be kept in view.

2.125. The Committee have been further informed that the alloy steel industry is being treated as a key industry and as such is given top priority. Every facility is being given to licencees in the matter of speedy approval of their collaboration proposals, import of equipment etc.

2.126. The Committee are constrained to observe that no progress was made to establish additional capacity for manufacture of alloy or special steels in the Second Five Year Plan.. The Committee further regret to note that in the Third Plan a capacity for manufacture of 45,000 tonnes of special steel was developed in the private sector only though licences for 4,34,000 tonnes were issued to private sector and for 1,37,000 to Public Sector. The Committee consider it regrettable that the public sector, which should be a pace-setter, lagged behind. The Committee also regret to note that licences issued to four private companies for 6000 tonnes, 5,400 tonnes, 3,600 tonnes and 3,000 tonnes each had subsequently to be revoked and that the licence for manufacture of 49,000 tonnes of special steel issued in favour of TISCO had to be cancelled as the company could not fulfil the condition of finding a foreign collaborator who would subscribe the whole of the foreign exchange component. The Committee cannot help concluding that enough care was not taken in processing the applications, for installation of manufacturing capacity for special steels and alloys. The Committee would like Government to keep a very close watch on the licensed units which are stated to be implementing a programme for manufacture of 38,600 tonnes and on licencees who have been given licence for setting up capacity for another 1,59,000 tonnes. The Committee would also like Government to keep close watch on the parties concerned after the issue of Letters of Intent for 2,17,400 tonnes so as to make sure that they take effective action to tie up collaboration arrangements and place orders for machinery and equipment. The Committee need hardly add that where effective action is not being taken by the parties concerntd, it may be advisable to take firm action.

Keeping in view the specialised nature of the industry and the need for maintaining competitive prices in this basic sector, the Committee would suggest that wide publicity should be given to

the capacity still remaining to be licenced so as to attract applications may be examined strictly on the basis of economy in capital costs, including foreign exchange components, and unit cost of production, based on the techno-economic feasibility reports enclosed with the applications so as to licence the most competitive and sound unit for production.

(c) *Non-Ferrous Metals*

2.127. The development of non-ferrous metals is of crucial importance to the national economy as these metals find extensive and varied application in several basic industries. With the growth of industrialisation, the need for non-ferrous metals as also their alloys is likely to grow by leaps and bounds. Metals in which our country, whilst possessing some resources, is highly deficient are copper, zinc, lead etc. The metals in which we are potentially rich are iron, aluminium, titanium, magnesium, barylium, manganese, ziconium, etc. Metals such as nickel, tin, molybdemnum, tungsten either do not exist or are perhaps found in isolated uneconomic pockets, even though with more intensified and comprehensive exploration and prospecting, some esonomic deposits thereof may yet be discovered. The one non-ferrous metal whose resources are abundant in India is aluminium; on account of the versatile properties possessed by aluminium, it has already found multiple end-uses and new uses are fast developing in the face of acute competition with other alternate materials.

2.128. The per capita consumption in a few countries of some important non-ferrous metals which is one of the indicators of the stage of development of an economy is given in the following table:

	India	U.S.A.	Britain	Japan
				(In lb)
Aluminium	0·25	25·00	13·00	4·30
Copper	0·34	16·50	23·00	6·10
Lead	0·16	8·00	8·00	0·30
Zinc	0·36	16·00	11·00	3·40

It will be seen from the above table that per capita consumption of the major non-ferrous metals in India is at the lowest as compared to USA, Britain and Japan.

2.129. The table below gives an idea of world production of different non-ferrous metals in 1963:—

(In metric tons in thousands)

	World	U.S.A.	Europe	India	East Block
Aluminium	5444,9	2097,9	1085,7	53,0	1182,1
Copper	5411,5	1722,3	1038,4	9,2	951,4
Lead	2938,5	483,2	910,6	3,5	682,2
Zinc	3604,8	865,0	921,8		823,3

2.130. The developments in the production of the important non-ferrous metals, *viz.*, aluminium, copper, lead and zinc in the country during the three plan periods are given in the following paragraphs:—

(i) *Aluminium*

2.131. During the first two plan periods, there was not any appreciable development in respect of the non-ferrous metal industry. The production of aluminium (virgin metal) was 4,000 tonnes at the beginning of the First Plan in 1950-51 which rose to 7,400 tonnes in 1955-56. The import of aluminium in 1955 was, however, of the order of 16,164 tonnes. The development of the aluminium industry was specifically provided for in the Second Plan. The Plan envisaged the expansion of the capacity for aluminium ingots from 7,400 tonnes in 1955-56 to 30,000 tonnes by 1960-61 through (i) the expansion of the existing plant of M/s. Aluminium Corporation of India located at Asansol to 5,000 tonnes; (ii) the establishment by M/s. Indian Aluminium Company (IAC) of a new 10,000 tonnes smelter near Hirakud; and (iii) the establishment of a new smelter with a capacity of 10,000 tonnes at Salem through the National Industrial Development Corporation (NIDC). It was also expected that capacity for the production of the alumina required by the Hirakud smelter corresponding to about 20,000 tonnes would be built up within three years of its commencement of production and that the company would be allowed to import alumina during the interval.

2.132. The target of actual production of aluminium at the end of Second Plan in 1960-61 was, however, placed at 25,000 tonnes.

Against this the actual production achieved was 18,500 tonnes, *i.e.*, a shortfall of 6,500 tonnes. The import of aluminium and aluminium alloy during the last year of the 2nd Plan (1960) was 23,095 tonnes.

The following tables summarise the development programme of the aluminium industry during the 2nd Plan period:—

		(Tonnes)
Second Plan (1960-61) :		
Production target		25,000
Capacity licensed		70,000
(1) Hindustan Aluminium Corporation Ltd., Bombay—new al. smelter at Renukoot (U.P.)—Licence issued in 1959	20,000	
(2) Indian Aluminium Co.—expansion of the Hirakud (Orissa) smelter (10-20,000)—Licence issued in 1959	10,000	
(3) Aluminium Corporation of India—expansion of the Asansol (West Bengal) Smelter (2,500-7,500)—Licence issued in 1960 . . .	5,000	
(4) Tendulkar Industries (P) Ltd., Bombay—new smelter at Mettur (Madras)—Licence issued in 1960	20,000	
(5) Madras Aluminium Co. Ltd., Coimbatore—new smelter at Mettur (Madras)—Licence issued in 1960	10,000	
(6) Indian Aluminium Co.—expansion of the Alwaye (5-10,000),—Licence smelter (Kerala) issued in 1961	5,000	
TOTAL	70,000	
Production achieved		18,500

It will be seen that licensed capacity in 1960-61 was 70,000 tonnes. It has been stated by Government that the other units licensed during the Second Plan were to be commissioned only during the Third Plan.

2.133. Regarding shortfall in production it has been stated that as envisaged, the new smelter at Hirakud (Orissa) was commissioned early in 1959 increasing its installed capacity to 18,500 tonnes p.a.

The expansion of the Asansol smelter could not be completed during the Second Plan period due to various difficulties faced by the licensees. The smelter envisaged at Mettur (Salem Distt. Madras) did not materialise as the total resources allocated to the NIDC were considerably short of its requirements for the various projects under its consideration. Work on the other aluminium schemes licensed, except that of M/s Tendulkar Industries (P) Ltd, progressed and these are stated to have since been commissioned. Due to inordinate delays on the part of M/s Tendulkar Industries for implementation of the project, the licence was subsequently revoked.

2.134. The following table gives, in brief figures regarding targets, capacity etc. for aluminium production during the Third Plan period:—

Existing capacity as on 1-4-61	Third Plan Target	Existing installed capacity as on 1-4-65	Additional capacity covered by F. Exchange	Additional capacity not covered by F. Exchange	Total licensed capacity including existing capacity
18,500	87,500 (revised to 110,000)	53,500*	60,000	165,000	278,500†

The details of the licences issued upto 1965-66 are given below:—

	(Tonnes p.a.)
(1) Murarji J. Vaidya Bombay—new smelter in Mysore State—Licence issued in 1961	30,000
(2) Hindustan Aluminium Corporation expansion of the Renukoot (U.P.) aluminium smelter (20-60,000)—Licence issued in 1963	40,000
(3) Indian Aluminium Co. Ltd.—expansion of the Alwaye (Kerala) Aluminium smelter (10-15,000)—Licence issued in 1963	5,000
TOTAL	75,000

*The installed capacity as on 1-4-66 increased to 88,350 tonnes.

†Including 30,000 tonnes for Public Sector at Korba and approved capacity.

2.135. The actual production achieved by the end of the Third Plan (1965-66) was 81,000 tonnes. Thus there has been a sort-fall of 29,000 tonnes in production as compared to revised target laid down for the Third Plan.

The value of imports of aluminium and aluminium alloys during the Third Plan period is given below:—

	(Rs. in lakhs)
1961-62	7,93
1962-63	10,53
1963-64	6,46
1964-65	7,24
1965-66	6,28
TOTAL	48,44

2.136. It has been stated that work on all the schemes licensed during the Second Plan (Except that of M/s. Tendulkar Industries) and during the Third Plan (except that of Shri Murarji J. Vaidya) was taken up. The licence granted to Shri Murarji J. Vaidya for a new aluminium smelter in Mysore State was revoked due to failure of the party to take 'effective steps'. The project has since been entrusted to Indian Aluminium Co. Ltd. Calcutta. Installed capacity at the end of the Third Plan stood at 88,350 tonnes p.a. at Alwaye (Kerala) and/which was also completed by March, 1966 but this could not be commissioned due to delay in getting additional power. The Renukoot smelter expansion (20—60,000) which was originally envisaged as a Fourth Plan Project was speeded up in view of the delays in the implementation of the Koyna and Sharvathy (Mysore) aluminium projects and it was expected that installed capacity at Renukoot could reach 60,000 tonnes p.a. during the Third Plan itself. However, there were delays in getting imported equipment and the smelter could be expanded to only 40,000 tonnes, p.a. during the Third Plan.

2.137. The targets of production of aluminium, the capacity licensed, the various schemes etc. for the 4th Plan period are given below:—

	Tonnes p.a.
Fourth Plan (1970-71)	
Requirements	330,000
Production target	330,000

Capacity licensed so for Indian Aluminium Co. Ltd., Calcutta—new smelter at Belgaum (Msysore)		30,000
Capacity existing & works in progress		1,15,850
Schemes under planning		5,13,350
(1) Koyna (Maharashtra) Aluminium smelter—public Sector	50,000	
(2) Korba (MP) Aluminium Smelter—Public Sector	100,000	
(3) Mettur (Madras) Aluminium smelter expansion	12,500	
(4) Asansol (W. Bengal) Smelter expansion	5,000	
(5) Belgaum (Mysore) smelter expansion	70,000	
(6) Renukoot (U.P.) Aluminium smelter expansion	60,000	
(7) Hirakud (Orissa), smelter expansion	20,000	
(8) New Aluminium smelter based on Gujarat Bauxite deposits in Gujarat Kerala	50,000	
	513,350	

It has been stated that the above capacity takes into account the possibility of some of the schemes under consideration not materialising due to one reason or the other and the need for aluminium during the early years of the Fifth Plan.

2.138. It is envisaged in the draft Fourth Plan that "from 1969-70 we would be self-sufficient with regard to aluminium and may indeed be in a position to export some of this metal, apart from exporting aluminium-based engineering items."

(ii) *Copper*

2.139. During the First two Plan periods, there has not been any appreciable development on the extraction side of the base metals industry in India due to paucity of commercially exploitable ore deposits. Although the Geological Survey of India (GSI) and the Indian Bureau of Mines (IBM) could not carry on energetically the investigation of the known deposits of ores of copper, lead and zinc during the First Plan period, a new unit "Base Metals Wing" was set up in early 1959 in the GSI with a view to expediting the detailed survey of all the known deposits and to continuing

more vigorous search for the location of new deposits of the non-ferrous metals.

2.140. M/s. Indian Copper Corporation were initially the only producers of copper in India. The production of copper (virgin metal) in 1950-51 was 7,100 tonnes which increased to 7,600 tonnes at the end of 1955-56. Since domestic production could meet only a small part of the country's requirements of this metal, large tonnages of copper, copper alloys and other manufactures were imported into the country. The production of copper during the Second Plan period ranged between 7,600 tonnes and 8,950 tonnes. The imports during the same period are given below:—

Year	Quantity ('000 tonnes)	Value (Rs. crores)
1956 .	31·28	15·16
1957	47·86	17·03
1958 .	51·51	13·43
1959	50·35	16·31
1960 .	62·24	21·65
		83·58

2.141. The target of production of copper in the country was first laid down in the Third Plan at 22,000 tonnes, but was later revised to 39,400 tonnes. The following table gives the capacity existing at the beginning of the Plan, targets of production and the installed capacity in production of copper during the Third Plan period:—

Existing capacity as on 1-4-61 (end of 2nd Plan)	Third Plan Target	Existing installed capacity as on 1-4-66 (end of 3rd Plan)	Addl. capacity covered by F. Exch.	Addl. capacity not covered by F. Exch.	Total licensed capacity including existing capacity
9,000	22,000 (revised to 39,400)	9,960	30,400*	30,000	70,360

*Including 22,000 tonnes for Public Sector.

Against the revised target of 39,400 tonnes actual production of copper at the end of Third Plan amounted to 20,000 tonnes.

2.142. The value of the imports of copper during the Third Plan period are given in the table below:—

	(Rs. in lakhs)
1961-62	23·45
1962-63	25·28
1963-64	26·04
1964-65	24·41
1965-66	33·32
	132·50

2.143. It has been stated that targetted production of copper during the Third Plan was expected to be realised from the production of about 10,000 tonnes from the proposed public sector copper project at Khetri and that of the existing fire refined smelter of the Indian Copper Corporation. The Khetri Copper Project, was, however, delayed and its scope was also considerably changed. The project will now produce 31,000 tonnes p.a. (21,000 tonnes from Khetri ore and 10,000 tonnes from the nearby Kolihan ore). Presently work on the project is stated to be in progress. Production of metal from this complex is expected to commence in 1969.

2.144. In the draft Fourth Plan the requirements of copper in 1970-71 have been estimated at 180,000 tonnes, and the capacity and production targets have been set at* 37,500 tonnes per annum for 1970-71. This estimate includes the Khetri copper project of 21,000 tonnes and Indian Copper Corporation Project with the expanded capacity of 16,500 tonnes. As stated earlier, a further capacity of 10,000 tonnes will be under implementation at Khetri based on the nearby Kolihan deposits. It is stated that development of some of the other copper mines such as Rakha. Daribo and Agnigundala will be taken in hand on a priority basis. Regarding the assessment of demand for Copper for the Fourth Plan the Committee on Material Planning in their Report (June, 1966) have stated as under:—

> "Forecasts of demand for copper, the indigenous availability, and the gap to be met by imports, during the Fourth Plan period, have been made by different bodies, like the Development Council for non-ferrous Metals and Alloys, the Working Group on Non-ferrous Metals, the

*At the time of factual verification of the Report, the Ministry of Industrial Development and Company Affairs have stated that the production target against copper should be 52,500 tonnes.

Group on Maintenance Imports and the Perspective Planning Division of the Planning Commission. These assessments except for the one made by the Perspective Planning Division, were made at a time when copper was more easily available and prices were much lower than presently prevailing. During the last 3 years, the prices have been sky-rocketing and even at these high prices it has been difficult to procure supplies of copper. The known and proved deposits of copper ore in the country are also far too inadequate to hold out any hopes of meeting the domestic demands to any appreciable extent. In this context, the drive for import substitution has gained considerable momentum during the last 2 or 3 years. To cite a few instances, the switch-over from the use of copper to aluminium is progressively implemented in the field of electrical conductors, cables, PVC and VIR wires, flexible wires and so on. The other examples would be in the field of bronze bearings for railway axle boxes and castings in the machine tool and automobile industries. Bearing all these recent developments in mind, we have worked out and arrived at our own estimates of demand for copper".

2·145. The estimated demand, import requirements, together with quantities which would be indigenously available of copper during the Fourth Plan, as worked out by the Committee on Materials Planning as a result of recent study, are summarised in the table below:—

Year	Total demand	Indigenous availability		Import requirement	Value of imports in crores of Rs. at Rs.5,800 per tonne.
		Domestic Production	Scrap arisings		
		(In tonnes)			
1966-67	120·50	10·0	9·5	101·00	59·00
1967-68 .	139·00	12·5	12·0	114·50	66·00
1968-69 .	157·00	17·0	14·0	126·00	73·00
1969-70 .	174·70	25·0	15·7	134·00	78·00
1970-71	192·50	35·0	17·5	140·00	81·00
	783·70	99·5	68·7	615·50	357·00

N.B.—The foreign exchange requirements have been compu ed on the price of Rs. 5,800/- *cif* per tonne as a tople l by the Perspective Planning Division, Planning Commission. The above does not take into considera ion recen devalua ion of rupee.

(iii) *Lead*

2.146. The most important deposits of lead and zinc ores occur at Zawar which is about 17 miles from Udaipur city where extensive ancient workings are in existance. The deposits were opened by the Geological Survey of India during the Second World War but the work stopped by the end of the War as by that time enough development had not been done to warrant mining for production of lead and zinc ores. Soon after the end of the War the property was handed back to the Government of Mewar who then gave it on lease to M/s. Metal Corporation of India who did some further development work after taking over the mines. The outlook for the lead industry has considerably improved in the last few years. The current annual production is of the order of about 4,000 tonnes against installed capacity of 6,000 tonnes per annum.

2.147. The production of lead during the years 1956 to 1960 of the Second Plan ranged between 2,497 tonnes and 3,671 tonnes. The year-wise details of production and imports during this period are given below:—

	Production	Imports
	(in tonnes)	(Rs. in crores)
1956	2,497	2·74
1957	3,173	2·21
1958	3,353	2·29
1959	3,895	2·41
1960	3,671	2·56
		12·21

2.148. As regards the Third Plan, the following tables give the capacity existing at the beginning of the Plan, targets, production and the installed capacity for production of lead during the Third Plan period:—

(In tons)

Existing capacity as on 1-4-61 (end of 2nd Plan)	Third Plan Target	Existing installed capacity as on 1-4-66 (end of 3rd Plan)	Addl. capacity covered by Foreign Exchange	Addl. capacity not covered by F. Exh.	Total licensed capacity existing capacity
6,000	8,500	6,000	5,000	Nil	11,000

2.149. The actual production of lead by the end of the Third Plan (1965-66) was 3,460 tonnes against a capacity of 6,000 tonnes (later revised to 11,000 tonnes.) The year-wise break-up of production is given below:—

1960-61	3,700 Tonnes
1961-62	3,170
1962-63	3,370
1963-64	3,460
1964-65	3,460
1965-66	3,460

2.150. The value of imports of lead during the above years of Third Plan is given in the following table:—

	(Rs. in lakhs)
1961-62	2·59
1962-63	2·68
1963-64	3·35
1964-65	4·61
1965-66	5·73
	18·96

2.151. Regarding short-fall of 2,600 tonnes of production of lead during the Third Plan, it has been stated that the Metal Corporation of India Ltd. Calcutta who were working the lead-zinc ore deposits in the Zawar area of Rajasthan were licensed to set up a new zinc smelter near Udaipur and expand their existing lead smelter at Tundoo (Bihar). The project was expected to be completed during the Third Plan; but for want of finance the Corporation could not complete it and therefore the Corporation was acquired by the Government of India in October, 1965.

2.152. While moving the Bill on 22nd November, 1965 to provide for the acquisition of the undertaking of the Metal Corporation of India Limited by Central Government, the Minister of Steel and Mines *inter alia* referred to the circumstances which compelled Government to acquire the undertaking. He said:—

> "This is a question which has been pending for a long time. The Metal Corporation has not been able to utilise the opportunity given to them to exploit the scarce material

zinc and lead for the public utility of this country. In this country we do not have very many deposits. It is only in the Rajasthan area where we have some deposits of zinc and lead.

This company was formed round about 1944, about 21 years ago and since then it has had a very chequered career. For want of finance, they were not able to expand themselves and now for the last two years, it has reached a stage when they could not even take over the machinery that has come in the port area. They had also reached a stage when they could not even pay the wages to the labour.....The labour there was not paid wages for two months. Even the bonus which they were paying every year fell due and that was also not paid. They were not in a position to pay wages for two months exclusive of the bonus.

For months together we have been negotiating. Even the Cabinet considered this aspect of taking them over or negotiating with them for putting the mines in working order. The Cabinet Secretary was put on this job. The Cabinet Secretary negotiated with them and they reached some tentative agreements. But then the Company could not agree finally to terms offered by the Cabinet Secretary.

Under these circumstances, having exhausted all possible methods to making them work more effectively, the Government was forced to come forward with this legislation".

2.153. It has been stated that the requirements of lead for the Fourth Plan have been worked out at 126,000 tonnes per annum and as against this, a production of about 4300 tonnes only is expected. The reasons for low production are stated to be the fact that the installed capacity of the lead smelter of Hindustan Zinc Ltd. at Tundoo, which is the only one smelter in the country, is about 6,000 tonnes per annum. The lead content of lead concentrates produced at Zawar has been falling with consequent fall in the production of lead metal.

(iv) *Zinc*

2.154. In the absence of smelting facilities, the only existing firm, M/s. Metal Corporation of India, had been exporting

about 7,000 to 8,000 tonnes of zinc concentrates annually to Japan for smelting on tool basis. However, a beginning had been made during the Second Plan period for creating indigenous capacity for the manufacture of electrolytic zinc in the country. M/s. Metal Corporation of India took steps with a view to establishing a plant near Udaipur with technical collaboration and financial participation of Kerbs & Penarrave CIE of Paris for the manufacture of the following products:—

Zinc	.	18,000 metric tonnes per year
Cadmium	.	75 tonnes per year

(*by product recovery*)

The above development programme was expected to be completed and in operation by early 1964. There was thus no indigenous production of zinc during the Second Plan period. The value on actual imports of this metal during the Second Plan period was as under:—

	(Rs. in crores)
1956	5·67
1957	7·24
1958	6·13
1959	5·28
1960	8·81
	33·13

2.155. As mentioned earlier, the production of zinc for the first time in India was expected to be achieved by the middle of the Third Plan (1964). M/s. Metal Corporation of India were, however not able to complete the project due to want of finance and as such it was taken over by Government of India in October, 1965 and entrusted to the Hindustan Zinc Ltd. Udaipur, a Government of India undertaking. According to the information furnished to the committee the new zinc smelter is now expected to go into production in 1967 like previous two Plans, no production of zinc could be achieved in the Third Plan also, although the target of production was set at 15,000 tonnes against a capacity of 30,000 tonnes (it was 15,000 tonnes originally).

2.156. The value of imports of zinc during the Third Plan period was as under:—

	(Rs. in lakhs)
1961-62	7·35
1962-63	0·02
1963-64	9·86
1964-65	11·15
1965-66	12·84
	41·22

2.157. The requirements of zinc by the end of the Fourth Plan (1970-71) have been estimated at 117,000 tonnes. The target set for indigenous production is 38,000 tonnes. The indigenous production (on the basis of conversion of concentrates by Japan on tool basis) is estimated at 5,000 tonnes in 1965-66. The Hindustan Zinc Ltd., is likely to produce 18,000 tonnes by 1970-71. It has been stated that a private sector unit at Kerala is setting up a smelter capacity of 20,000 tonnes, based on imported concentrates. Work on expansion of the Zawar unit would also be taken up after preparation of the project report which is stated to be in hand.

2.158. Regarding the surveys to find out deposits of ores of non-ferous metals like copper, zinc and lead in the country, it has been stated in the Lok Sabha in August, 1966 that "Government have already taken a decision to intensify the work of mineral exploration carried out by Geological Survey of India for location, investigation and proving of non-ferrous metals viz. copper, lead and zinc in selected mineralised zones. To supplement the search carried out by Geological Survey of India, arrangements have been made to carry out airborne surveys of promising areas with the assistance of U.S.A.I.D. Government of U.S.A. have agreed to give a loan of 3·5 million dollars to meet the foreign exchange cost of these airborne surveys and a loan agreement has been signed. A programme of airborne surveys is also under negotiation with U.S.S.R. Negotiations have also been initiated with East Germany in a preliminary way for their cooperation in conducting such surveys. As regards the survey being carried out with U.S.A.I.D. assistance, it will be conducted by a U.S. Engineering Firm who will be responsible both for aerial surveys and the follow up ground geological work and diamond drilling....."

2.159. It is well known that the development of non-ferrous metals is of vital importance to the various industries and the growth of national economy as these metals are extensively used in several

basic industries. According to United Nations Report on Science and Technology for Development: "For every ton of steel, 40 lbs. of copper and similar quantity of lead and zinc would be necessary". The Committee are concerned to note that no serious attempt was made for the development of non-ferrous metals in the country during the first two Plan periods. Except Aluminium, no targets of production were fixed for any other non-ferrous metals till the Third Plan. Even during the Third Plan when targets of production were fixed in respect of these metals, there have been heavy shortfalls in achieving them. The result has been that large amounts in foreign exchange had to be spent in importing these metals during each Plan period, causing heavy drain on the scarce foreign exchange resources of the country. The value of imports of four principal non-ferrous metals during Third Plan period was as under:

	Value
Aluminium	38·44 crores
Copper	132·50 ,,
Zinc	41·22 ,,
Lead	18.96 ,,

The Committee note that effective steps were not taken by some of the licensees in the Second and Third Plans to set up manufacturing units for Aluminium. As the Fourth Plan target implies more than 400 per cent increase in production (i.e. from 81,000 tons to 3,30,000 tons), Government should keep a close watch on the progress being made by licensees to set up new units or expand the existing ones, so that remedial measures may be taken without delay to obviate any shortfall in the achievement of target. The Committee also feel that the public undertaking set up for manufacture of Aluminium should set the pace by taking expeditious action to develop the capacity at most competitive international rates. The Committee need hardly stress that as Aluminium is a bisic important material it is imperative that its cost and sale price are kept at level competitive with international price. The Committee have no doubt that the Ministry of Industrial Development and Company Affairs and the Directorate General of Technical Development would pay special attention to this aspect.

The Committee would also urge that effective steps are taken to ensure that the raw materials viz. anthracite, cryolite and aluminium fluoride, etc. required in the production of aluminium which are at present imported, are also produced indigenously as early as possible.

2.160. The Committee are greatly concerned about the production prospects of other non-ferrous metals like copper, lead and zinc. It is a sad irony that Government all these years left the development of zinc and lead, so useful for the country, to a private company (Metal Corporation of India). This company was allowed to send zinc concentrates to Japan and get it back refined as zinc sheets from Japan. No arrangements for smelting the concentrates were made within the country, with the result that there was huge drain on our foreign exchange.

With the growth of industrialisation, the need for these metals as also their alloys, is likely to grow considerably. The capacity and production targets for these metals for the Fourth Plan are far short of the estimated demand as will be seen from the following table:

	Estimated Demand	Production Target
Copper	1,80,000 tonnes	37,500 tonnes
Zinc	1,17,000 "	38,000 "
Lead	1,26,000 "	4,300 "

It would be evident that even at the end of the Fourth Plan the country will have to depend upon large imports of these basic metals which would involve a heavy drain on the foreign exchange resources of the country. Further the dependence on imports for these vital metals would tend to create uncertainty in regard to the availability of these raw materials which are stated to be in short supply all over the World. It is imperative that Government should lose no time to push through the schemes already in hand and also expedite geological surveys, etc. to locate deposits of non-ferrous metals in the country. The Committee would also suggest that close coordination should be maintained between Government departments and the industry for maximising the production of these metals.

2.161. The Committee regret to note that high priority was not given for the exploration, prospecting for the non-ferrous metals in the past. No sustained efforts appear to have been made in locating and exploiting metal bearing belts in the country. The Committee however note that Government have recently decided to carry out detailed and intensive surveys for finding out deposits of these ores in collaboration with foreign countries. They would like to emphasise that no time should be lost in putting the schemes into operation and maximising efforts for the exploration of these vital metals

particularly copper. It would be necessary to assess and exploit the natural resources of the country and to develop them expeditiously to meet the requirements of the industries in the country. Apart from this, greater attention should be paid to widen the scope of substitution of these scarce non-ferrous metals. In this connection, the Committee would also stress that every effort should be made to outline the vast potential field of application of aluminium in substitution for scarce non-ferrous metals e.g. copper, zinc etc.

The Committee note that some progress has already been made in this direction. However, in view of the scarcity of foreign exchange which is likely to continue for quite a long time, the Committee would stress that greater emphasis should be placed on substituting imported metals by aluminium where technically feasible. For this purpose continuous studies should be made in collaboration with CSIR and other research institutions. The policy of substitution should, however, be coordinated and phased with the expansion in the production of aluminium so as to avoid any difficulties in the supply of aluminium itself.

2.162. The Committee would like Government to keep Parliament informed exery six months about the progress made in the exploration, prospecting, development and production of non-ferrous metals in the country.

(d) *Fertilizers*

2.163. Chemical fertilizers occupy a key role in the strategy visualised to increase agricultural production in the country. In the following paragraphs the fertilizers industry is discussed in two sections covering nitrogenous and phosphatic fertlizers:

Nitrogenous Fertilizers

2.164. The First Plan envisaged the expansion of capacity for nitrogenous fertilizers in terms of ammonium sulphate from 78,670 tons (15,734 tons of nitrogen) in 1950-51 to 481,270 tons (96,254 tons of nitrogen) by 1955-56 the production rising from 46,304 tons to 450,000 tons. These developments were expected to be brought about mainly through:

(a) completion of the Sindri Fertilizer Factory of the Central Government;

(b) expansion of the Mysore Chemicals and Fertilizers from 6,600 to 13,200 tons capacity; and

(c) expansion of the Fertilizers and Chemicals (Travancore) (FACT) from 46,000 to 92,000 tons capacity in terms of ammonium sulphate.

2.165. The production actually achieved during the Plan period was as under:

	Production in terms of ammonium sulphate
	(In tons)
1951-52	95,000
1952-53	252,000
1953-54	307,000
1954-55	365,000
1955·56	380,000 (76,000 tons of nitrogen)

2.166. The shortfall in production of 70,000 tons (in terms of ammonium sulphate) is stated to be due to the non-expansion of capacity of plants as envisaged under the First Plan. The imports of ammonium sulphate during the First Plan were as under:

	Quantity (tons)	Value (Rs. lakhs)
1951-52	67,380	245·27
1952-53	19,948	85·46
1953-54	69,525	213·12
1954-55	83	0·29
1955-56	7,835	55·12
		599·26

2.167. The Second Plan envisaged the expansion of capacity for nitrogenous fertilizers from 85,000 tons of nitrogen in 1955-56 to 382,000 tons in 1960-61 and the production from 76,000 tons of nitrogen in 1955-56 to 290,000 tons in 1960-61. The increase in the capacity and production was expected to be achieved by the expansion of the Sindri Fertilizer Factory and M|s. Fertilizers and Chemicals, Travancore (FACT) and the establishment of new fertilizer factories at Nangal, Neyveli and Rourkela. It was also expected that additional quantities of ammonium sulphate would be obtained as by-product at the steel plants and that ammonium chloride would be produced by M|s. Sahu Chemicals in conjunction with the production of soda ash.

2.168. The availability of nitrogenous fertilizers from the public and private sectors expected during the Second Plan period was as follows:

Year	Annual installed capaciy (Tons of fixed nitrogen)			Total production (tons of fixed nitrogen)
	Public sector	Private sector	Total	
1956-57 . .	70,000	15,000	85,000	85,000
1957-58 .	117,000	15,000	132,000	102,000
1958-59 . .	117,000	25,000	142,000	140,000
1959-60 . .	267,000	38,000	305,000	175,000
1960-61 .	344,000	38,000	382,000	290,000

2.169. The year-wise production of nitrogenous fertilizers during the Second Plan period and the capacity at the beginning of each year are given below:

(tons of nitrogen)

	Targets	Installed capacity	Actual production
1956-57	85,000	86,300	77,508
1957-58	102,000	86,300	76,482
1958-59	140,000	86,300	78,797
1959-60	175,000	86,300	72,748
1960-61	290,000	248,300	98,000

It will also be seen from above that against an installed capacity of 248,300 tonnes of nitrogen fertilizers in the Second Plan (1960-61), the actual production achieved was 98,000 tonnes. The reasons stated by Government for the low production against the installed capacity are given below:

"(a) Non-availability of electric power to run the plant to full capacity in FACT.

(b) Fall in production in the Sindri Plant owing to inadequate supply of good quality coal for a long period and the deterioration in the condition of gas generators in the Sindri Plant.

(c) Operation of the expansion plants at Sindri in single stream owing to non-availability of adequate coke oven gas and certain defects in the expansion plants."

Similarly, it will be seen that there was a heavy shortfall of 192,000 tons in the production of nitrogen as compared to the target laid in the Second Plan.

2.170. The lag in production as compared to the targets gave rise to large deficits in the availability of nitrogenous fertilizers and resulted in heavy imports. The imports of nitrogenous fertilizers (Ammonium Sulphate, Urea, Ammonium Sulphate/Nitrate and Calcium ammonium nitrate) in the Second Plan period were as follows:

	(Value in Rs. lakhs)
1956-57	776·8
1957-58	1587·8
1958-59	1131·1
1959-60	1588·4
1960-61	1213·5

2.171. The Third Plan target capacity and production of nitrogen fertilizers were 1,000,000 and 800,000 tonnes of nitrogen respectively. The year-wise break-up is given below:

(Tons)

	Total Requirements	Installed capacity	Indigenous production envisaged[1]
1961-62	400,000	242,000	140,000
1962-63	525,000	300,000	200,000
1963-64	650,000	400,000	300,000
1964-65	800,000	600,000	500,000
1965-66	1000,00	1000,000	800,000

2.172. The actual capacity installed and production of nitrogenous fertilizers during the Third Plan period has been as under:

(Tonnes)

	Capacity installed	Production
1961-62	240,700	144,900
1962-63	381,300	117,600
1963-64	381,300	222,000
1964-65	381,300	240,000
1965-66	585,000	233,317

It will thus be seen that against a production target of 800,000 tonnes, the actual production at the end of the Third Plan was 233,317 tonnes *i.e.* a shortfall of 566,683 tons (70·9 per cent).

The above table will indicate that against an installed capacity of 585,000 tonnes of nitrogen fertilisers in the Third Plan (1965-66), the actual production has been to the extent of 233,317 tonnes only. The reasons furnished by Government for the low production against the installed capacity are given below:

(a) The new plants of Trombay, Neyveli and expansion of FACT went into production only by the end of the Third Plan and therefore their production was not to the capacity.

(b) The existing plants at Sindri, Rourkela and FACT were not producing in full capacity because of shortage of coke oven gas and shortage of power.

2.173. The schemes originally sanctioned and those which were expected to be completed by the end of the Third Plan are given below:

(a) Public Sector	(Tonnes of nitrogen) Capacity
1. Sindri	117,000
2. Nangal	80,000
3. Neyveli	70,000
4. Rourkela	120,000
5. FACT (After 3rd Stage Expansion)	70,000
6. Trombay	90,000
7. Namrup	45,000
8. Gorakhpur	80,000
TOTAL	672,000

	(Tonnes of nitrogen) capacity
(b) Private Sector	
9. Itarsi/Katni (M.P.)	50,000
10. Hanumangarh	80,000
11. Kothagudam	80,000
12. Visakhapatnam	80,000
13. Durgapur	58,000
14. Varanasi (After exp.)	20,000
15. Ennore	8,250
16. Gujarat	96,000
17. Mysore	100,000
18. Tuticorin	64,000
TOTAL	636,250
(c) By-product from coke oven plant (Public/ Private)	20,000
Grand Total	13,28,250

2.174. There has been some delay in the case of Namrup and Gorakhpur Projects to go into production. In regard to the private sector projects the position at the end of the Third Plan is given below:

	Projects dropped by the party or revoked by Government		
Project	Date of issue of licence	Capacity (in tonnes)	
1. Madhya Pradesh	March, 1961	50,000	(dropped in (April, 1962)
2. Durgapur	August,1962	58,000	(dropped in Feb., 1963)
3. Tuticorin	November, 1961	64,000	(dropped in April, 1964)
4. Mangalore (A fresh letter of intent issued in June, 1966.)	21st Dec.,1961	100,000	(dropped on 22-3-1965
5. Varanasi Exp.	7th Jan.,1960	10,000	(Revoked on 9th June, 1965)
		282,000	

Projects started construction later but will be completed only during the Fourth Plan period)

	Capacity
1. Visakhapatnam	80,000
2. Gujarat	96,000
	176,000

Projects yet to start construction

1. Kota (transfer of location from Hanumangarh)	100,000	(original capacity 80,000)
2. Kothagudam	61,400	(original 80,000)
	161,400	

2.175. A statement showing the reasons for the delay in the establishment of the projects in the Third Plan period is given below:

Project	Expected year of completion indicated in the programmes of Industrial Development	Date of completion/likely date of completion	Reasons for delay
1. Rourkela (Orissa)	1963-64 . .	Production from November, 1964.	
2. Neyveli (Madras)	1963-64 .	Production from March, 1966.	Could not progress according to schedule as steel for indigenous fabrication had to be imported, and teething troubles. Ammonia Production started in March, 1966.
3. Trombay (Bombay)	1964-65 .	Production from November, 1965.	Delay in commissioning of plant due to teething troubles. Started production in November, 1965.
4. Namrup (Assam)	1964-65 .	End, 1967.	(i) Delay in the acquisition of land because of Supreme Court ruling. (ii) Stoppage of work due to Chinese aggression in November, 1962. (iii) Soil investigation showed that the original site was not satisfactory for installing heavy moving machinery Alternative site acquired and work expedited.
5. FACT—2nd Stage Expansion (Kerala)	1961-62 .	Production started in November, 1962	
6. FACT—3rd Stage Expansion (Kerala)	1964-65 .	Production started in March, 1966.	According to time schedule prepared by the FACT, the expansion scheme was expected to be completed only by September, 1965. The delay is attributed to shortage of power.
7. Gorakhpur (U. P.)	1965-66 .	End 1967.	(i) Delay in the selection of sites ; (ii) Delay in the acquisition of land ; and (iii) Delay in placement of orders.

Project	Expected year of completion indicated in the programmes of Industrial Development	Date of completion/likely date of completion	Reasons for delay
8. Itarsi/Katni or other suitable site in M.P.	1964-65		This project was abandoned by the party as they could not secure foreign collaboration. Proposal to establish in the public sector on coal-base has also been dropped because of the advance in fertilizer technology and performance for naphtha. Also non-availability of foreign credit for a coal based plant.
9. Hanumangarh (Rajasthan)	1964-65	1968-69 (new changed to Kota)	(i) Change in the location of the factory. (ii) Delay in finalisation of foreign collaboration.
10. Kothagudam	1964-65	Middle of 1970	(i) Delay in finalisation of foreign collaboration. (ii) Change over of the Scheme from coal to naphtha.
11. Visakhapatnam (Andhra Pradesh)	1964-65	Middle of 1967	Delay in finalisation of foreign collaboration proposals.
12. Durgapur (W. Bengal)	1965-66		(i) Abandoment of the project by State Government. (ii) Re-examination of the suitability of the location on account of change in the raw material from coke oven gas to naphtha.
13. Sahu Chemicals Varanasi (U. P.)	1965-66	Licence revoked on 9th June, 1965	
14. Parry & Co.	1962-63	Production started in December, 1962.	
15. Gujarat		End of 1967.	
16. Mysore.		Abandoned.	

2.176. The value of imports of nitrogenous fertilizers and nitrogenous fertilizers materials during each of the years of the Third Five Year Plan is given in the table below:

(Value in lakhs of Rs.)

1961-62	10,45
1962-63	24,02
1963-64	24,66
1964-65	20,51
1965-66	31,80

It will be seen from above that the imports of nitrogenous fertilizers during the last year of the Third Plan have increased three times the quantity imported in the first year (1961-62) of the Plan.

2.177. The targets for installed capacity and production of nitrogenous fertilizers for the Fourth Plan have been fixed at 2.4 million tonnes and 2.00 million tonnes per year respectively in terms of nitrogen. In a statement laid on the Table of the Rajya Sabha in August, 1965, it has been stated that "It is proposed to reach this target by improving production at Sindri and Rourkela and expanding capacity at FACT and Trombay. In addition, Gorakhpur, Namrup, Durgapur, Madras, Haldia, Cochin and Talcher will go into production by that date giving a total production of 1.25 million tonnes in terms of nitrogen in the public sector. The production in the private sector will be 750,000 tonnes by providing for new plants at Vishakhapatnam, Gujarat, Kothagudam, Goa, Kota and Kanpur. The yearly production in the public and private sectors from 1965-66 to 1970-71 is expected to be as follows:

	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
	(000 tonnes of nitrogen)					
Public Sector	290	395	510	720	945	1250
Private Sector	30	35	66	430	555	750
Total	320	430	576	1150	1500	2000

The plants/projects mentioned above do not include Barauni, Mangalore and Gujarat expansion.

2.178. The capacity under implementation, approved in principle and proposed for implementation are stated to be as fololws:

	(tonnes of nitrogen)
(i) Projects under implementation	
Public	627,000
Private	514,000
	1141,000
(ii) Projects approved in principle	
Public	Nil
Private	553,500
	553,500
(iii) Projects proposed for implementation	330,000

2.179. The details of the projects and the date of completion are given at Appendix VI.

2.180. It has been stated in the draft outline of Fourth Plan that "the development visualised in the fertilizer field during the Fourth Plan has also to provide for an element of advance planning with reference to the requirements in the early years of the Fifth Plan period. It is expected that the growth in the consumption of fertilizers will require the commissioning of two large nitrogenous fertilizer factories every year from the beginning of the Fifth Plan period. Keeping this in view and the time lag of about three years in the construction of fertilizers factories, the total capacity under implementation by the end of the Fourth Plan period would have to be of the order of 3 million tonnes. The financial outlay in the public sector provides for advance action on three fertilizer factories in the Fourth Plan period against the anticipated additional fertilizer requirements in the early years of the Fifth Plan. It is also proposed to licence further capacity in the private sector."

2.181. In reply to a question in the Lok Sabha, it has been stated on 23rd November, 1966, that the "progress made in the private sector for the establishment of fertilizers has not been very satisfactory. The total capacity that has been licensed to the private sector approved in principle is 1.085 m. tonnes and out of that only Visakhapatnam, Gujarat and Ennore have made some headway or progress, they will go into production next year. Regarding the other projects totalling about 8.83 lakh tonnes, they have not made any progress." "Regarding the target for public sector in the Fourth Plan so far we have approved about 1.1 m. tonnes for implementation in principle and we are negotiating for this."

2.182. According to the latest information available, the Committee understand that Italy has offered commercial credits totalling Rs. 44 crores to meet the foreign exchange cost of the fertiliser projects at Barauni and Namrup in the public sector. Italy has already offered commercial credit for the two public sector fertiliser projects of Durgapur and Cochin. With the filling of the foreign exchange gap for the Barauni and Namrup projects and letters of intent issued to several other parties, the total fertiliser installed capacity will reach 2.7 million tons by the end of the Fourth Plan; but the actual production at the end of the Plan would be around 1.8 million tons, reaching full installed capacity in the first year of the Fifth Plan.

Phosphatic Fertilizers

2.183. The *First Plan* envisaged for the superphosphate industry a capacity target of 209,355 tons and production taget of 200,000 tons by 1955-56 as against corresponding figures of 123,460 tons and 55,089 tons in 1950-51. The development programme was formulated in 1951 against the background of (a) a serious shortage of sulphur and consequently of sulphuric acid. and (b) considerable reluctance on the part of cultivator to make use of phosphatic fertilisers for overcoming which extensive propaganda and eduction were required. Even the modest level of consumption in 1951 was achieved only by means of various types of inducements including a subsidy.

2.184. The actual production during the Plan period as indicated below:—

	(tons)
1951-52	57,000
1952-53	50,000
1953-54	66,000
1954-55	102,000
1955-56	120,000(estimated)

It will be seen from above that compared to what was originally visualised. there had been a considerable shortfall throughout the Plan period. The reasons for this are stated to be failure of demand to expand as rapidly as was hoped.

2.185. Actual imports of all phosphatic fertilizers, which were mainly of those not so far produced in the country, *e.g.* ammonium phosphate, during the period of the Plan were: —

	Quantity (tons)	Value (Rs. lakhs)
1951-52	52,941	62·17
1952-53 . . .	15,548	22·64
1953-54	44,397	65·43
1954-55	78,683	76·50
1955-56 (10 months)	44,903	38·10

2.186. It was envisaged under the Second Plan that the capacity of the phosphatic fertiliser industry would rise from 35,000 tons to 120,000 tons of P205 and the production from 20,000 tons to 120,000 tons of P205. It was expected that the target would be achieved by the production of 83,300 tons of P205 as single superphosphate. 3,700 tons of P205 as ammonium phosphate and the balance as triple superphosphate and dicalcium phosphate.

The progress of the superphosphate industry during the Second Plan period is shown below:—

(Figures in tons of single superphosphate)

	Capacity	Production
1956 .	255,824(44,300)	81,170(13,530)
1957 .	277,584(46,260)	141,678(23,610)
1958 .	310,572(51,760)	166,846(27,810)
1959 .	330,572(55,110)	247,426(41,270)
1960	343,668(57,280)	318,191(53,030)

(Figures in bracket indicate equivalent quantity in terms of P. 205).

2.187. In the Third Plan it has been stated that under the straight phosphatic fertilizers, a capacity of 200,000 tons in terms of P205 had already been planned. No further expansion of capacity was envisaged in terms of superphosphate. The following table gives the

targetted production, capacity actually installed and production actually achieved during the Third Plan period: —

Year	Target	Capacity Installed (figures 000 tonnes)	Production achieved
1961-62	100	89·7	86·0
1962-63	150	129·6	80·6
1963-64	225	147·4	107·5
1964-65	300	158·67	130·9
1965-66	500	..	..

2.188. The value of imports of phosphatic fertilizers and phosphatic fertilizers (other than natural) including superphosphate and basic dephospharisation slag during the Third Plan period has been as under: —

	(Rs. in lakhs)
1961-62	5
1962-63	26
1963-64	15
1964-65	110
1965-66	26

2.189. The targets for capacity and production of phosphate fertilizers envisaged in the Fourth Plan are one million tonnes in terms of P205. The capacity already established by the end of the Third Plan period is 236,000 tonnes. The new complex fertilizer plants to be established at Madras, Vizagapatnam, Gujarat and the Single and Triple Superphosphate capacity under implementation will add another 263,000 tonnes making a total of about 500,000 tonnes of P205 capacity. The production of phosphatic fertilizers is dependent on the continued availability of rock phosphate and sulphur which are in short supply. The present scarcity conditions for the next three to four years and this may come in the way of our reaching the target of one million tonnes of P205 by the end of the Fourth Plan period.

2.190. In order to meet the shortfall of 500,000 tonnes of P205 to reach the capacity of 1 million tonnes of fertilizers during the Fourth

Plan period, the following programme of manufacture of phosphatic fertilizers has been drawn up by Government:--

Project	Capacity (P205)
1. Kota (D. C. M.)	30,000 tonnes (Letter of intent issued)
2. FACT (IVth stage expansion)	9,200 tonnes—Sanctioned.
3. Mangalore	90,000 tonnes (Letter of intent issued)
4. Khetri	100,000 tonnes sanctioned.
5. Trombay Expansion	130,000 tonnes proposed.
6. Haldia	110,000 tonnes proposed.
	469,200 tonnes

2.191. It has been stated that when the above projects are implemented the P205 capacity will be raised to 969,200 tonnes leaving a marginal gap of about 30,000 tonnes. The year-wise consumption targets, likely indigenous production and estimated import requirements of fertilizers (P205) for the remaining years of the Fourth Plan as estimated by the Fertilizer Committee are given below:—

(In million tonnes)

Year	Minimum requirements	Indigenous production	Import requirements
1967-68	0·500	0·269	0·231
1968-69	0·650	0·506	0·144
1969-70	0.600	0·629	0·171
1970-71	1·000	0·737	0·263

2.192. In the statement laid on the Table of Rajya Sabha in August, 1965, it has been stated that "fertilizer plants are highly capital intensive and about 40 per cent of the total investment has to be in terms of foreign exchange. A 200,000 tonnes naphtha based fertilizer plant in India costs about Rs. 35 crores of which 12 to 13 crores are in foreign currency. This is however substantially less than the amounts required for the import of fertilizers every year which at the present level of imports cost Rs. 45 crores in terms of foreign exchange. In other words, what we spent in one year on the import of fertilizers is enough for putting up 3 fertilizer plants in the country, each with a capacity of 200,000 tonnes."

* * * * *

"It may be mentioned that by investing Rs. 13 crores in a Fertilizer Plant, we can save every year a foreign exchange outgo of Rs. 26 crores in terms of imported fertilizers or Rs. 78 crores in terms of imported foodgrains."

* * * * *

"I would again emphasise that the only bottleneck in the implementation of our Fourth Plan target for fertilizer production is availability of funds, more particularly foreign exchange. I have already pointed out that every rupee of foreign exchange spent on building new fertilizer plants means eventually a recurring saving of Rs. 2 every year spent on import of fertilizers or Rs. 6 on import of foodgrains. In addition, such plants mean additional employment for our people both directly and indirectly by encouraging the development of many ancillary industries.

Foreign Capital for Fertilizer Industry

2.193. With a view to invite foreign technical and financial assistance, Government of India recently took a number of decisions. These decisions relate to—

(i) Financing and Management;

(ii) Relaxation on Price Control;

(iii) High-level Governmental Assistance and speed-up of procedures;

(iv) High Priority for import of raw materials; and

(v) Support for seeding programme.

Foreign investors are welcome to enter into partnership with private Indian parties for putting up fertilizer plants. In such venture they can have majority share-holding if they so wish.

2.194. It has been decided that fertilizer projects set up with collaboration of foreign parties or by Indian entrepreneurs on their own will have freedom of distribution without control over prices of their products for a period of seven years from the date of commencement of commercial operation. Government have set up a special high-level Committee of Secretaries to function as a single focal point for—

(i) Dealing with all negotiations involving foreign collaboration in the fertilizer industry;

(ii) Taking decisions leading automatically to grant of a letter of intent/industrial licences;

(iii) Providing assistance in the removal of bottlenecks during the construction age;

(iv) Expediting necessary clearances;

(v) Ensuring smooth operation of a plant after it goes into production.

Sometimes even after the grant of a letter of intent/industrial licence, there are considerable delays in the implementation of a project, over which the project itself has no control. The Committee of Secretaries will help every project in the removal of causes leading to such delays.

2.195. New plants producing complex fertilizers can have their own arrangements for the import of rock-phosphate and sulphur provided the prices paid are competitive. Within their available resources, including external assistance, Government are now giving high priority to the import of raw materials required for the fertilizer industry.

2.196. Government have agreed to seeding programmes for the Vishakhapatnam, Kanpur and Madras Projects and assurances have been given to the parties that certain agreed minimum quantities of fertilizer will be made available to them for three years prior to commencement of production in the new units. Similar facilities are available to prospective investors.

2.197. The Minister of Petroleum and Chemicals in a statement made in Lok Sabha on 31st March, 1967 in response to a calling attention notice reviewed the position regarding production of fertilizers in India, as under:—

"The Government of India have attached the highest importance to the attainment of self-sufficiency in food by 1971-72. Amongst the pre-requisites for this is the production of fertilizers on an adequate scale to meet the rapidly growing need. The Government of India, therefore, decided in December 1965 on various measures to promote the rapid development of the fertilizer industry in the country.

Firstly, Government embarked on the execution of a series of large, modern projects in the public sector. These, on completion during 1969 and 1970, will add 936,000 tonnes of nitrogen production annually.

Secondly, effective upto the 31st March, 1967, Government announced certain decisions designed to promote investment, Indian and foreign, in the fertilizer industry.

The most important of the decisions is that newly approved projects which now total 964,000 tonnes of annual nitrogen capacity, will have freedom to market their production without price control for a period of seven years from the commencement of commercial operations in each case; this is, however, subject to the right of Government to take up to 30 per cent of the production at agreed prices.

In April 1966, Government decided that plant already in operation or those licensed earlier, whether in the public or the private sector, will also be gradually freed from the control over marketing and price. The fertiliser pool as an agency for distribution will confine its activities only to the product imported or purchased, as aforesaid, from indigenous plants.

While individual fertilizer factories will thus be free to determine their selling prices, the public sector units will occupy a dominant position in meeting the demand. Of nearly 2.8 million tonnes of nitrogen capacity now under realisation, over 1.6 million tonnes is in the public sector. Besides, Government will have the right to buy and distribute through their agencies over 300,000 tonnes of the product of private plants. Secondly, the measures taken for the development of the industry are expected to ease the fertilizer supply position in about 3 years. These two factors should operate to ensure that fertiliser prices to the consumer will, at all times, remain fair and reasonable.

To satisfy the growing demand, which is expected to exceed 4 million tonnes of nitrogen annually by 1975-76 and may well be vastly greater, it is necessary, in this view, to work for an abundance of fertilizer production in the country, with the public sector making the requisite contribution.

Measures lately taken by Government are expected to give the country substantial self-sufficiency, in the next 3 or 4 years, in the fabrication of plant and equipment for the fertilizer and allied industries. The building of fertiliser factories thereafter will not call for large foreign exchange outlays. But new units needed in substitution of approved ones that may drop out and for satisfying the increased fertilizer demand in the coming years must be planned in the near future; and these will require substantial expenditure in foreign currencies. Proposals for additional public sector plants are under study and every effort will be made to allocate resources to finance them. But it

is necessary that private investors also join in the effort currently needed to build new capacity. At present a number of proposals that could result in the establishment of nearly one million tonnes of nitrogen capacity are under negotiation and it is clearly desirable that they be taken to a final stage. Government have, therefore, decided that all these pending proposals may be dealt with under the policy of December, 1965, provided they could result in the issue of industrial licenses by the 31st December 1967 and could also be expected to make a timely contribution to the aforesaid increase in indigenous production. Any new proposals received will be dealt with in the same manner, provided they satisfy the same conditions."

During the course of supplementaries on the above statement the Minister of Petroleum and Chemicals stated that after conclusion of agreements the projects noted have to be completed and put into commission in a period of 3 years.

2.198. The Committee are greatly perturbed at the successive shortfalls in the production of fertillisers as compared to the targets laid down in the three Plans. While production during the First Plan was about 80 per cent of the target fixed, it dropped down to 34 per cent during the Second Plan and further came down to only 29 per cent of the target during the Third Plan. The non-fulfilment of the targets during the Second and Third Plans was due to the failure of both the public and private sectors in not progressing with the implementation of the schemes satisfactorily. It is regrettable that while the private sector was expected to create capacity for the production of 6.35 lakh tons of nitrogen at the end of the Third Plan, none of the projects, approved for it, made any headway during that period. Out of the 10 schemes, 5 schemes aggregating to as much as 2.82 lakhs tonnes were dropped either by the parties concerned or their licences were revoked after period ranging from one to four years. No work appears to have been started on the other two schemes, aggregating 1·161 lakh tonnes. In respect of the other two projects, with a capacity of 1·76 lakh tonnes, only construction work was started and the projects are expected to be completed during the Fourth Plan.

Apart from the non-fulfilment of the targets, what is more regrettable is that even the installed capacity, both during the Second Plan and Third Plan periods on which heavy capital expenditure including considerable foreign exchange had been incurred, remained largely unutilised, as production amounted to about 40 per cent of the installed capacity. The under-utilisation of capa-

city arose, inter alia, on account of non availability of raw materials and feed-stocks during both the Plan periods. The shortage of electric power and the non-availability of good quality coal which affected the production of FACT and Sindri Plant respectively during the Second Plan period, continued to persist during the Third Plan period also. Further the production at Rourkela Plant is much below its installed capacity and has ranged between 25 to 40 per cent of capacity mainly on account of non-availability of coke oven gas. The Trombay factory which was commissioned in November, 1965, has also not yet attained its rated capacity and is experiencing serious troubles, mostly on account of the defects in the equipment designed and supplied by Chemical and Industrial Corporation of United States for the nitro-phosphate section of the plant on a turn-key basis. The production at the Nangal Factory also suffered due to shortage of electric power. All these indicate deffective planning and failure to take adequate timely measures to ensure supply of raw material and feed-stock to these factories. The shortfalls in production of fertilisers resulted not only in heavy imports of fertilisers during the three Plan periods, but also heavy imports of food amounting to Rs. 2,300 crores during the same period, whose production in the country could have been considerably stepped up by making chemical fertilisers available to the agriculturists and farmers. Viewed against the background of the statement made by the Minister of Petroleum and Chemicals in the House in August, 1965 that "What we spend in one year on the import of fertilisers is enough for putting up 3 fertiliser plants in the country each with a capacity of 2 lakh tonnes" and that "by investing Rs. 13 crores in a fertiliser plant, we can save every year foreign exchange of Rs. 26 crores in terms of imported fertilisers of Rs. 78 crores in terms of imported foodgrains," it is obvious that the urgency of setting up of fertiliser plants in the country which has been beset with recurring food shortages and growing population, was not fully realised. Even if a part of the foreign exchange which was spent in importing foodgrains and fertilisers had been spared for setting up the fertiliser plants, it would have been possible to achieve the targets.

The Committee also consider that as fertiliser industry is regulated by industrial licensing, it was for Government to ensure that all those who are issued the licences, take effective measures in time to set up the capacity for manufacture of fertiliser and to reach targetted production. It is a matter of deep regret that the public sector which should have given a lead in this matter, has itself lagged behind in production and that the private sector made little headway in setting up fertiliser plants. The Committee note that

Government have now set up a high-powered committee of Secretaries to process all matters pertaining to the setting up of fertiliser plants so as to ensure expeditious clearance and implementation. The Committee feel that if these measures had been taken in the Second Plan or even in the beginning of the Third Five Year Plan, the critical position reached in the matter of availability of fertilisers could have been largely obviated. They have no doubt that the high-powered committee of Secretaries must have made a detailed case study of the various factors which had impeded the setting up of the fertiliser plants as per plan targets and licences issued so as to ensure that these handicaps do not hold up the progress of the new ventures.

In view of the fact that the targets for the Fourth Plan constitutes 240 per cent increase over the capacity installed in the Third Plan, the Committee would stress that no time should be lost in finalising and excuting the schemes for achieving the additional production.

The Committee note that the last date for the finalisation of applications for foreign collaboration on liberalised terms has now been extended upto 31 December, 1967. The Committee have no doubt that Government would carefully examine the question of fereign collaborations having regard to the state of development of engineering and design organisations of Fertiliser Corporation and FACT, the need for achieving self-sufficiency in fertilisers at an early date to meet the agricultural requirements and the imperative necessity of producing the fertilisers at economic and competitive prices so as to encourage their use on a wide scale in the interest of larger production.

2.199. The Committee need hardly stress that urgent and effecitve measures should be taken by Government to arrange the availability of raw material and feed-stock to the existing fertiliser plants so as to ensure that the capacity for the production of fertilisers, installed in the country is fully utilised. They would, however, like to emphasise that before granting licences for the setting up of new units for production of fertilisers, Government should satisfy itself that the raw material and feed-stock required for that particular unit would be fully made available so that the present situation in which the installed capacity has remained largely unutilised for want of them does not arise in future.

Cost of Production of Fertilisers

2.200. The Cost of Production of Fertilisers in the existing factories is indicated below:

Rs. per tonne)

Sindri	
Ammonium Sulphate	286·66
Double Salt	442·66
Urea	479·25
Nangal	
Calc Ammonium Nitrate	231·83
Trombay	
Urea	569·85
Nitro-phosphate	362·90
Fact	
Ammonium Sulphate	353·10
Ammonium Phosphate	503·71
Ammonium Chlorides	488·41

2.201. The Cost of Production in the projects under construction is estimated to be as follows:

Namrup	
Urea	534·14
Ammonium Sulphate	445·54
Gorakhpur	
Urea	486·18
Durgapur	
Urea	343·00
Cochin	
Urea	358·83

2.202. It has been stated that the new plants under construction will be producing mainly urea. It would, therefore, be possible to compare the cost of production in the existing and new plants only in the case of urea. From the figures given above, it will be seen, the cost of production of urea in the new fertiliser factories proposed to be set up at Durgapur and Cochin will be Rs. 343.00 and Rs. 358.83 respectively, against the present cost of production of Rs. 479.25 and Rs. 569.85 in the case of Sindri and Trombay Fertiliser factories respectively. According to Government, the low cost of production could be attributed to the larger capacity of the new plants viz. 145,000 tonnes of nitrogen and adoption of the latest technology as well as the choice of naphtha as raw material. The cost of production in the existing factories is higher because they suffered from one or the other of the following deficiencies:

(i) imbalance in various sections of the plant;
(ii) out-dated technology;
(iii) uneconomic scale of operation.

2.203. The Committee have been informed that in the case of Sindri and Rourkela steps have been taken to instal balancing equip-

ment where necessary and when these steps are implemented, the economy of these units is expected to improve. At FACT, Alwaye, the plants are stated to have been expanded and modernised and when the expansion scheme is fully implemented the cost will be reduced.

2.204. The imported (C and F) prices of urea for the years 1961-62 to 1966-67 is given beow:

	(Rs. per tonne)
1961-62	470·40
1962-63	438·45
1963-64	365·90
1964-65	411.14
1965-66	501·88
1966-67	848·85 (Provisional-post devaluation)

2.205. In reply to a question asked in Lok Sabha on the 23rd November, 1966 whether the price of fertilisers manufactured by the Fertiliser Corporation of India had gone up after devaluation, the Minister of Petroleum and Chemicals stated that "Although the cost of production of fertilisers manufactured by the Fertiliser Corporation have gone up consequent on devaluation, the selling prices have been raised. Government have decided to give suitable subsidy to compensate for the increase in cost of production due to devaluation." It was admitted during the course of the supplementaries on the question that "As far as the price of Indian manufactured fertilisers is concerned, compared to other countries, there is some difference."

2.206. The Committee are concerned at the high cost of production of urea at the older plants, viz., Sindri and Trombay. While some of this may be due to the old technology used in these plants, the Committee feel that the non-utilisation of the full capacity of these plants is also partly responsible for it. The Committee are glad that in the new factories at Durgapur and Cochin the cost of production will come down substantially due to the larger capacity of these plants as well as the adoption of the latest technology. The Committee cannot over-emphasise the need for bringing down the cost of production in this industry which is vital to food production. They would urge that constant efforts should be made to bring the cost of production in the country at par with the cost of production in other countries. They would like to point out that in comparing international costs, at least the f.o.b. cost should be taken into account and not the c.i.f. price.

2.207. The Committee would also like to emphasise that Government should ensure that fertilisers are made available to the cul-

tivators at reasonable prices so that the cost of production of food does not go high. The Committee understand that in some countries where agricultural production has made considerable headway, fertilisers are supplied to the farmers at international or even lower prices. The Committee have no doubt that if fertilisers are made available at economic prices, the Indian farmer would not be slow in making full use of them to step up production and bring the proclaimed goal of self-sufficiency within reach.

Process know-how and Development

2.208. In order to equip the country in fertiliser technology and accelerate the process of self-reliance, the Fertiliser Corporation of India and the Fertiliser and Chemicals Travancore Ltd. are stated to have developed full-fledged Planning Design and Engineering Department. It is added that Planning and Development Division of Fertiliser Corporation of India has a fully equipped Research and Development Department where considerable research work is being done to establish new processes, elimination and utilisation of waste products, development of catalysts, etc. The Planning and Development Division has already developed a few catalysts, now being used in Fertiliser Corporation of India plant at Sindri. It is stated that this type of work is continuously being pursued with a view to develop as much reliance as possible. This division has also recently entered into an agreement with M|s. Montecatini of Italy for the supply of licence to use their processes for the ammonia synthesis and urea production.

2.209. FACT Engineering and Design Organisation is also stated to have entered into an agreement with M/s Power Gas Corporation of U.K. for the designing and engineering of Synthesis Gas Plants based upon ICI Steam Reforming Process and Ammonia Synthesis plants based upon IC Synthesis process. Besides, FACT Research and Technology Department has successfully developed and improved a process for the manufacture of ammonium sulphate from by-product gypsum. In addition the production of sodium flouride for the first time in the country has been developed at FACT. The Research Department has also successfully developed a process for the utilisation of waste sulphuric acid from the Travancore Titanium Products Ltd. This process provides a means for the production of ammonium sulphate and rouge (a pigment) as co-products in the recovery of the waste acid.

2.210. It has been stated that Government have decided to entrust full responsibility for the design, engineering and construction of the two fertiliser projects in the public sector at Durgapur and Cochin to the Planning and Development Division of Fertiliser

Corporation of India and the Engineering and Design Organisation of Fertiliser and Chemicals Travancore Limited. To facilitate matters, the two projects were made identical in respect of their size and end-products and an agreement was reached between the Fertiliser Corporation of India and the Fertiliser and Chemicals Travancore Limited as to the part of total work, each would be responsible for. It has been stated that by the first quarter of 1967 the work of process design and engineering will be over. It will take another year or so for the equipment to arrive at site. After the arrival of equipment at site, it will take another year for the erection to be completed. According to this time schedule the plants will be commissioned in April, 1969.

2.211. The Committee are glad to note that the know-how developed indigenously in the matter of fertiliser technology is now being utilised by Government. They have no doubt that with the experience gained as a result of designing and erecting the two plants at Durgapur and Cochin, the Planning and Designing Organisations of the Fertiliser Corporation of India and the FACT, would play a greater role and would be able to take over the entire responsibility of designing and engineering at least two fertiliser plants a year with the know-how developed by them or acquired and purchased from foreign countries. The Committee would like to emphasise that the Government should plan their fertiliser programme in such a way that these organsations are given work on a continuous basis. Since the process Design and Engineering Sections of these organisations will be comparatively free from the first quarter of 1967, Government should ensure that the capabilities developed by these technical organisations are fully utilised thereafter in putting up fertiliser plants in the country based on modern technology. It hardly needs to be stressed that the utilisation of the indigenous know-how in this vital sector would not only save considerable foreign exchange on design, engineering and know-how expenses, but would also result in maximum utilisation of the indigenous fabrication facilities for equipment. It would provide the much needed encouragement to the indigenous talent and would also conserve and fructify the valuable experience that the Indian experts would gain by shouldering the responsibility of designing, planning and engineering the fertiliser projects. In this connection the Committee would also like to point out that in allowing foreign collaboration agreements for the setting up of fertiliser plants in the country, due consideration should be given to the utilisation of capabilities of these organisations as otherwise the indigenous know-how developed so assiduously by them in this vital industry would remain unutilised. The Committee have no doubt that the

Design organisations at the FACT and Fertiliser Corporation of India would in course of time become fully self-reliant for providing consultancy services for fertiliser plants not only for the country but for other neighbouring countries also.

(e) *Automobile and Allied Industries*

Automobiles:

2.212. The demand for motor vehicles was estimated to be about 25,000 at the beginning of the First Plan. No appreciable increase in this figure was expected by the end of the Plan period. In 1950-51, 12 firms were engaged in the production of automobiles. All of them started as assemblers of vehicles imported in knocked out condition. Five of them had plans to undertake manufacture of components intially and complete vehicles later on; but only two firms namely, the Hindustan Motors, Calcutta and the Premier Automobiles, Bombay, had actually made some progress in this regard at the beginning of the Plan.

2.213. The targets of capacity and production envisaged in the First Plan were as follows:

	1950-51		1955-56	
	Assemblers	Manufacturers	Assemblers	Manufacturers
Number of Units	10	2		2
Rated capacity (Nos) .	41,700	30,000		30,000
Actual Production(Nos)	12,442	4,077		30,000

2.214. In 1953, the Tariff Commission submitted a report to government on the future development of the automobile industry and as a result of the implementation of its recommendations, six firms were licensed by 1954 to manufacture certain specified types and makes of vehicles as shown below:

	Cars	Trucks
1. Hindustan Motors	1. Hindustan 14—Light (Land Master) 2. Studebaker—Heavy 3. Morris Minor—Baby	Sutdebaker (Petrol)
2. Premier Automobiles	1. Dodge/De Soto/Plymouth—(Heavy) 2. Fiat 1000 (Light)	Dodge/DeSoto/ Fargo.

	Cars	Trucks
3. Standard Motors Producers of India	Standard Vanguard (Medium) Standard 10 (Baby)	
4. Ashok Leyland	..	Leyland Diesel (5 ton and above)
5. Tata Locomotive & Engineering Co.		Tata Mercedes Benz Diesel
6. Mahindra and Mahindra		Willy's Petrol Unisal Jeep.

2.215. The number of cars and trucks produced during the Plan period was as follows:—

	Cars	Trucks	Total
1951 .	12,385	9,884	22,269
1952 .	6,952	8,339	15,291
1953 .	4,936	8,990	13,926
1954 .	5,439	9,027	14,462
1955 .	10,297	12,787	23,084

2.216. The number and value of motor vehicles imported during the First Plan period has been as under:

	Total Nos.	Value (Rs. lakhs)
1950-51 . . .	13,336	6,37
1951-52 . . .	14,675	7,76
1952-53 . . .	8,801	5,93
1953-54 . . .	10,005	6,08
1954-55	15,062	10,23
1955-56 (April to December)	14,270	9,37

2.217. At the beginning of the Second Plan the installed capacity of automobiles stood at 30,000 numbers per annum on single shift basis. No further expansion in the capacity was envisaged during the period of the Plan. It was estimated that the manufacturers would be able to increase indigenous content of their vehicles from the then level of 20—25 per cent to 50 per cent while production of cars, jeeps, station wagons and commercial vehicles would increase from 23,100 numbers to 57,000 numbers by 1960-61. In their study in 1959, the Technical Committee of Ad hoc Committee on Automobiles Industry assessed the installed capacity of the industry with reference to the production which could be expected from

from the different units on the basis of the best utilisation of their resources as follows:—

	Annual capacity (Nos.)
Cars	20,000
Commercial vehicles (Buses and Trucks)	28,000
Jeeps and Station Wagons .	5,500

2.218. It has been stated that the expansion of output of automobiles was adversely affected by the shortage of foreign exchange for both the import of the required capital machinery and the import of components on the scale required. In contrast to a slightly rising trend in the first two years of the Plan, production dropped considerably in 1958 due to severe cuts in foreign exchange allocations. The maintenance of production in the field of commercial vehicles was largely facilitated by the assistance received from the D.L.F. Statistics relating to the production of different types of automobiles from 1955 onwards are given below:—

Indigenous production of automobiles

(Nos.)

	1956	1957	1958	1959	1960	Target under the 2nd Plan
Cars .	13,666	12,211	8,113	11,993	19,096	12,000
Commercial vehicles (trucks & buses)	14,143	16,248	14,557	19,099	27,518	40,000
Jeeps	4,329	4,599	4,118	5,376	5,501	5,000

It will be seen that in the case of cars and commercial vehicles a considerable increase in production has taken place after 1958. This increase is stated to be attributable to the fact that the indigenous content in the vehicles has been steadily increasing and the foreign exchange position also somewhat improved with the assistance from the Development Loan Fund, USA. The industry has been able to cross the production target of cars and jeeps; but in the case of commercial vehicles, there has been a shortfall.

2.219. As regards import of vehicles it has been stated that the import of vehicles in completely built up form was not permitted in

terms of the import policy. Only the manufacturers were allowed to import the different components required to assemble into a complete vehicle. The number of components imported was reduced in step with the progress in indigenous manufacture of components by the producers of vehicles as well also ancillary industries. The value of imports as also the number of vehicles imported during the years 1956 to 1960 (Second Plan period) are given in the statement below. It will be seen from the statement that a limited number of vehicles was imported in built-up form. These are stated to be mostly vehicles imported as personal baggages by Indian Nationals returning home and by diplomatic missions as also for some special purposes:—

Import of Vehicles

(*Rs. in lakhs*)

	1956	1957	1958	1959	1960
Cars Complete	49·15	26·10	32·95	23·3	10·30
Knocked down condition	447·14	419·37	221·52	188·72	78·23
Motor, Omnibuses, Vans, lorries etc.	83·77	1456·42	918·31	665·41	40·79
Jeeps		106·08	46·08	183·9	13·15

2.220. As regards the Third Plan, the production targets proposed for passenger cars, commercial vehicles and jeeps were as follows:—

	1965-66 (Nos.)
Passenger Cars	30,000
Commercial vehicles	60,000
Jeeps and Station wagons	10,000

The target for Commercial vehicles included 4,000 units expected to be produced at the ordnance establishments.

2.221. To reach the target of production of automobiles without excessive and continued strain on foreign exchange resources, it was envisaged to achieve at least 85 per cent indigenous content by 1965-66 as compared with less than 60 per cent. at the start of the Third Plan. The plan provided for priority to the production of commercial vehicles. Investment designed to increase the indigenous content was

to be given precedence over investment for establishing new units or expanding existing capacity. Exclusive of the investment on facilities for producing castings and forgings to meet the full requirements of the automobile industry, the direct investment in this field *vis-a-vis* the targets was placed at about Rs. 85 crores with a foreign exchange element of Rs. 40 crores. A statement showing the names of automobile manufacturers, their capacities, production (year-wise) etc. is given at Appendix VII. The following table summarises the position:—

	Licenced capacity Nos/ annum	Installed capacity Nos/ annum	Production in Nos.					
			1961 Nos.	1962 Nos.	1963 Nos.	1964 Nos.	1965 Nos.	1966 Nos. Upto Sept.
Cars	20,200	30,000	21,030	23,326	15,711	23,226	24,790	20,169
Comml. Vehicles.	76,400	50,500	23,995	25,364	27,285	31,784	35,618	24,525
Jeep Vehicles. .	25,000	12,000	7,904	8,236	8,411	10,436	10,483	7,587
Tempo 3-wheeler. . . .	4,000	4,000	793	850	882	1,682	1,681	1,199

2.222. The short-fall in production is stated to be mainly due to shortage of foreign exchange as the manufacturers are dependent, to some extent on imported parts and machinery and raw materials. The percentage of indigenous content achieved in the manufacture of the vehicles is stated to be as under:—

Model of vehicle	Indigenous content achieved
Hindustan Ambassador Car (14 H.P.)	93·70 %
Bedford Commercial vehicles (G.V.W. 19,500 lbs).	85·30 %
Fiat Car (11 H.P.)	95·00 %
Dodge/Fargo Commercial vehicles G.V.W. (19,000 lbs).	96·50 %
Standard Herald Cars (10 H.P.)	88·50 %
1 ton trucks	83·50 %
Tata-Mercedes-Benz Commercial vehicles (G.V.W.) 19,000/26,000	91·60%
Leyland 'Comet' commercial Vehicles (G.V.W) (22,800 lbs)	86·50%
'Beaver' Heavy Duty Vehicles	33·00 %
Willys Jeeps Jeep Utilities (Station Wagons)	92·93%
Jeep Trucks (3/4—ton).	78·20%
3-5 ton commercial vehicles	Not in production
Tempo 3-wheeler commercial vehicles	83·50%

2·223. The targets of production for the Fourth Plan are as under :—

(*i*) Cars . . . . . 50,000 Nos. p.a.

(*ii*) Commercial Vehicles . . . 90,000 Nos. p.a.

The question as to whether the additional capacity for cars should be set up in the public sector is stated to be still under consideration but in the meantime, the possibility of setting up indigenous capacity in the private sector without involving any imports or request for foreign exchange is being examined. It has been stated that the additional capacity required for Commercial Vehicles is proposed to be established by expansion/diversification of the existing units to the maximum extent feasible.

2.224. The Committee are greatly perturbed at the shortfalls in the production of automobiles as compared to the targets laid down in the Plans. They note that the production of cars and commercial

vehicles during the First and Second Plans was about 77 per cent and 91 per cent respectively of the targets fixed in the respective Plans. The position, however, worsened during the Third Plan when the production of cars, commercial vehicles and jeeps dropped to about 63 per cent of the target laid down in the Plan. The reasons for these shortfalls are stated to be the shortage of foreign exchange for both the import of the required capital machinery and the import of components. The Committee suggest that a phased programme should be prescribed for achieving cent-percent indigenous content of each type of vehicle so that the licensed installed capacity is utilised to the full at the earliest.

Cost of Production

2.225. It has been stated that the present cost data of automobiles is not available. The original basis for the prices of automobiles was accepted after an enquiry by the Technical Committee in 1956, which included cost investigation of the various manufacturers. Since these increases have been allowed on account of various factors, and wherever considered necessary, further cost investigations by the C.A. have been caried out. The production costs of automobiles obtaining in foreign countries is also stated to be not available. However, the ex-factory retail prices of automobiles produced in India and the prices in the countries of origin of the corresponding or comparable models, as reported by the manufacturers, are as shown below:—

Vehicle	Ex-factory retail/price	
	In India	In the country of origin (which is shown in the brackets).
	Rs.	Rs.
Cars:		
Ambassador	14,850	10,031 (U.K.)
Fait 1100 D	13,555	8,092 (Italy)
Standard Hearald	12,646	11,476 (U.K.)
Commercial Vechicles:		
Bedford 167" W.B.	29,784	18,878 (U.K.)
Dodge 165" W.B.	31,836	22,324 (U.K.)
T.M.B. 165" W.B.	34,281	37,125 (Germany)
Leyland 'Comet' 165" W.B.	41,416	35,301 (U.K.)
Standard 1-ton	16,576	11,624 (U.K.)
Jeep Vehicles:		
Jeeps	14,792	12,168 (U.K.)
Jeep Trucks	17,364	14,230 (U.S.A.)

2.226. During evidence the Committee referred to the complaints that the applicants for motor cars and scooters are asked to wait in the queue for years and desired to know the steps which had been taken to see that the applicants got them earlier. The representative of the Ministry of Industrial Development and Company Affairs stated that "That is possible only by increasing production. In certain categories it is possible to increase production. For instance, in respect of passenger cars, it is not possible for want of adequate foreign exchange. Commercial vehicles are included in the priority list whereas the passenger cars are not. We have now included motor cycles and scooters in the priority list. Therefore, the production will now increase....It is going to take a little time for any impact to be felt because the licences have been issued only now. Components have to come, the indigenous production is to be increased and all that. My own feeling is that you will see the full impact of it during 1967. I think, we should nearly double the production." Asked further to indicate the reduction in price as a result of increased production, the Special Secretary of the Ministry of Industrial Development and Company Affairs stated that "It is rather difficult to say to what extent the additional capacity will help to reduce the cost. In fact, we are considering whether it will be worthwhile to encourage the setting up of the new units with substantial capacity if they can bring down the price."

2.227. In reply to a suggestion that different small units should be combined so that the larger output may be had at a lesser cost, the special Secretary stated that "This was considered. As you know, there are three producers of cars. This suggestion was put to them as one of the possible alternatives. Unfortunately, they they did not agree."

2.228. The Committee are distressed to find wide gaps in the ex-factory retail prices of automobiles produced in India and the prices prevailing in the countries of origin of the corresponding or comparable models—as for example, the prices of Ambassador and Fiat 1100 D cars in India are 40 per cent and 75 per cent higher as compared to the prices in the countries of their origin. Similarly, the price of Commercial Vehicle (Bedford 67 WB) is about 61 per cent higher in India as compared to price obtaining in Britain.

The Committee strongly urge that with the increase in indigenous content concerted efforts should also be made to bring down the cost of production of automobiles in consultation with the industry so as to make them competitive in quality and price with those manufactured abroad.

2.229. The Committee understand that Government are taking steps for the manufacture of small car in the country and in that

connection are holding exploratory talks with various parties. The Committee hope that Government would expeditiously examine this question and come to an early decision

Allied Industries (Motor Cycles and Scooters)

2.230. The manufacture of autocycles, scooters, motor cycles, auto-rickshaws, etc. is an activity somewhat allied to production of automobile. At the commencement of the First Plan there were no firms engaged in the manufacture of these types of vehicles. Domestic demand was met by imports which have been as follows:—

Import of motor cycles and scooters

Year	Quantity (Numbers)	Value (Rs. lakhs)
1951-52	3,612	48·4
1952-53	2,403	37·1
1953-54	4,101	63·7
1954-55	2,742	34·4

2.231. The Madras Motors, Madras (since renamed Enfield (India) Ltd.) were granted a licence in 1954 for the manufacture of motor cycles in India in collaboration with the Enfield Cycle Co., England, on the basis of a phased manufacturing programme spread over five years. The firm were to manufacture 'Royal Enfield' motor cycles in two sizes of 150 c.c. and 350 c.c. in their plant to be equipped for a total installed capacity of 5,000 per single shift per annum. The factory commenced production in May 1955 and turned out 419 motor cycles upto December 1955.

2.232. Until quite recently scooters were not introduced in the Indian market. The Automobile Products of India, Bombay, were permitted to manufacture annually 6,000 'Lambretta' Scooters of 150 c.c., 125 c.c., and 48 c.c., and three-wheeled transport vehicles in collaboration with Messrs Innocenti of Italy. The programme was scheduled to be completed in a period of 5 years. The firm went into production in August 1955 and turned out 536 scooters during the year. At the beginning of the Second Plan the installed capacity for motor cycles and scooters stood at 11,000 numbers per annum on single shift basis. In 1955-56 Messrs Enfield India Ltd., Madras were the only unit producing motor cycles with a capacity of 5,000 numbers per annum. During the period of the Second Plan there has been practically no increase in capacity.

2.233. As regards scooters, only Messrs. Automobile Products of India were in production with a capacity of 6,000 numbers per annum at the beginning of the Second Plan. In 1960 another unit *viz.*, Messrs. Bajaj Auto Ltd., Poona, started production of scooters with a capacity of 6,000 numbers per annum with the result that the overall capacity stood at 18,000 numbers per annum on single shift basis. These two firms were also permitted to manufacture auto-rickshaws within the capacity.

2.234. The yearly production of motor cycles, scooters and 3-wheelers during the years 1955-1960 was as follows:—

	Motor Cycles	Scooters	3-wheelers (Auto-Rikshaws)
		(Numbers)	
1955	420	528	..
1956	1,022	4,735	529
1957	1,827	6,528	852
1958	2,653	4,391	483
1959	3,239	3,940	947
1960	3,998	12,880	496

2.235. At the beginning of the Second Plan, imports of motor cycles and scooters were allowed at 50 per cent of the best year's imports. Auto-attachments were allowed to the extent of 30 per cent. on the basis of import policy, the imports were reduced to 20 stringency of foreign exchange. The actual imports during the period 1956-60 have been as under:—

(*Rs. in lakhs*)

	Motorcycles	Scooters	3-wheelers	Total
1956	..			59·16
1957	34·1	114·0	17·63	165·64
1958	28·02	32·52	26·48	87·02
1959	24·44	33·29	30·61	88·34
1960	26·97	112·4	24·20	163·57

2.236. As regards targets for the Third Plan, the following statement shows the capacity and production achieved by the firms who had been granted licences for the manufacture of motor-cycles/scooters/mopeds/etc. The statement also indicates the indigenous content of each type of the vehicle:

Sl. No.	Name of the firm	Model of vehicle	Licensed capacity Nos/ annum	Installed capacity Nos/ annum	PRODUCTION IN NOS.						
					1961	1962	1963	1964	1955	1966 Upto Sept. 1955	Indigenous content
1	2	3	4	5	6	7	8	9	10	11	12
1	M/s. Automobile Products of India, Ltd., Bombay	150 cc Lambretta Scooter	12,000	12,000	8071	9589	8532	10412	10143	5708	91·13
		48 cc Lambretta Scooter			2634	468	3	1	353	500	..
		175 cc Lambretta 3-Wheeler			908	833	1136	1684	1356	347	78·1
2	M/s. Bajaj Auto Ltd., Bombay,	150 cc Vespa Scooters	12,000	12,000	4746	4368	6148	8339	8358	7142	92·0
		Vespa 3-Wheeler			337	569	616	715	520	330	85·5
3	M/s. Ideal Jawa India Ltd., Mysore.	Jawa Motor cycles Scooters	12,000	12,000	3954	3481	2072	4407	8593	7449	75·0
			(Production not yet commenced)								
4	M/s. Enfield India Ltd., Madras	Enfield Motor-cycles 350 cc	5,000	5,000	2018	2015	4725	4943	5750	3585	89·5
		175 cc			2664	3294		..	..	850	80·0
		3-wheeler Fantabulous Scooters	6,000	6,000	22	24 361	49 739	94 1292	8 1795	2 1456	.. 90·0
5	M/s. Escorts Ltd., New Delhi.	Rajdoot Motor-cycles Scooters	6,000	6,000	..	38	2661	4503	7002	6354	87·5
			(Production not yet commenced)								
6	M/s. Sound Zweirad Union India Ltd., New Delhi.	Vicky Mopeds	15,000	15,000				1103	5265	1850	91·0

7	M/s. Mopeds India Ltd. Coimbatore.	Mopeds	7,500	7,500					150	952	80·0
8	M/s. Hindustan Steel Products, New Delhi.	Mopeds	3,000*								
			78,500	75,500	25,354	25040	26579	37498	49312	36,654	

NOTE :—(1) M/s. Pearl Scooters, Ludhiana, who were permitted to manufacture 50 cc Scooterette in the Small scale sector have recently been brought to the Medium Scale Sector. The capacity approved in their case is 5,000 Nos. per annum. They have already gone into production.

(2) M/s. Rajan Motor Company (P) Ltd., Trivandrum are also manufacturing 120 cc Scooters in the small Scale Sector, without any foreign collaboration with an annual capacity of 500 Nos. only.

(3) M/s. Veegal Engines Ltd., Calcutta have also been permitted to manufacture 3 wheeler. The capacity approved in their case is 1,200 Nos. per annum.

(*) Since this firm has not made any progress, it has been advised to surrender the licence.

2.237. As regards the Fourth Plan it has been stated that target laid down for motor cycles, scooters and mopeds is 1,60,000 per annum. The manner in which the additional capacity required for the motor cycles|scooters|moped industry should be established is stated to be under the consideration of Government. As to the time taken for an ordinary citizen to get a scooter, the Minister of State in the Ministry of Industrial Development and Company Affairs stated during the course of supplementaries on a questions answered in Lok Sabha on the 26th August, 1966 that "It will vary from place to place according to demand. For Delhi, we have collected some information. For Lambretta, it would be 20 years and for Vespa 11 years. That is why we are going in for more production."

2.238. In reply to another question on 29th July 1966 the Minister of Industrial Development and Company Affairs stated that "the principal factor responsible for high prices of the scooters is their limited output. The relatively higher cost of raw materials and finished components, both indigenous and imported, also contributes to the high cost."

2.239. The production of motor cycles/scooters started in the country during the first plan (1955). The Committee regret to note that at the end of the Third Plan i.e. after a lapse of a period of about 12 years the production of motor cycles/scooters/3-wheelers has been 49,312 against an installed capacity of 75,000 numbers, thus registering a shortfall of about 39 per cent. This under-utilisation of installed capacity has not only adversely affected the output of scooters etc., but as admitted by Government has also been the "principal factor responsible for high prices of scooters." The Committee are surprised to note the supply position (as stated to the Committee in August 1966) was such that in Delhi it would take a person 20 years and 11 years to get a lambretta and vespa scooter respectively after the date of application.

The Committee are, however, glad to note that scooters have been included in the priority list for purpose of import of essential components to increase the output of the existing units and that licences have also been issued for the setting up of new units during the Fourth Plan period. It is gratifying to note that in 1967 itself it would be possible to "nearly double the production."

Since scooters are more or less common-man's conveyance, the Committee would like the Government to ensure that with the increased production of scooters etc. every effort would be made to bring about economies in their cost of production with a view to see that they are available to the users at moderate and reasonable prices.

III

INDUSTRIAL LICENSING

A. Existing procedure

General Principles and criteria for Issue of Licences

3.1. The following are the salient features governing the grant of industrial licences, as obtaining at present.

3.2. Under the provisions of Industries (Development and Regulation) Act, 1951, a licence has to be obtained for the establishment of new industrial undertakings, and expansion of capacity and manufacture of new articles by existing industrial undertakings engaged in the manufacture of any of the scheduled industries included in the First Schedule to the Act. Eleven copies of each application are required to be sent in the prescribed form to the Ministry of Industrial Development and Company Affairs which acts as the coordinating ministry. The copies of the application are forwarded to the following authorities for comments:—

(1) Secretary of the administrative ministry concerned with the industry in the Central Government.

(2) Industries Division of the Planning Commission.

(3) Department of Economic Affairs, Ministry of Finance.

(4) Directorate General of Technical Development/Textile Commissioner/Iron and Steel Controller/or other technical adviser concerned.

(5) Department of Company Affairs.

(6) Director of Industries of the State concerned.

3.3. The authorities mentioned at (2) to (6) above are required to send their comments to the appropriate industry section in the administrative ministry concerned. While distributing the copies of applications, the technical adviser and the State Government are asked to forward their comments to the administrative ministry within three weeks. Ii is the responsibility of the administrative ministry concerned to send, within a period of one month of the receipt of an application, a brief summary making appropriate

recommendations for submission to the Licensing Committee.* The State Governments on their part are informed that if their comments are not received within the prescribed time, it will be presumed that they have no objection to the application being considered favourably. The comments of other authorities are also taken into account by the administrative ministry in preparing the summary, if they are received in time; otherwise cases are put up to the Licensing Committee without their comments. The Licensing Committee is presided over by the Secretary, Ministry of Industrial Development and Company Affairs and includes representatives of other Central Ministries concerned, the Planning Commission and the State Governments. While making recommendations, the Committee takes into account the Plan targets fixed for each industry or where no targets have been fixed, the estimated demand for the articles of manufacture and such factors as balanced regional development, possibility of exports, avoidance of monopoly and other basic principles, enunciated in the Industrial Policy Resolution of 1956. To obviate the necessity of all cases having to come to the Licensing Committee, there is some delegation of powers and functions of the Committee.

3.4. The recommendations of the Licensing Committee for the issue of an industrial licence or letter of intent or for rejection of the application are then submitted to Government. The decision of Government which is taken at the level of the Minister of Industrial Development and Company Affairs is communicated by the Licensing Committee Section to the administrative ministry concerned, which then prepares the licence or letter of intent or rejection letter for issue by the Ministry of Industrial Development and Company Affairs.

3.5. At this stage, it would be relevant to mention a few salient points of the new procedure which has come into force as a result of the recommendations of the first Industries Development Procedure Committee (Swaminathan Committee):

(i) Applications for licences in respect of 'key industries' are to be dealt with under a special procedure intended to ensure speedier disposal;

(ii) Industrial licence is issued only after the prospective licencee furnished certain information on the basis of the 'letter of intent'; and

(iii) Under the new procedure, the applicant is given an opportunity (if his presence is felt necessary) to represent

*For details, please *see* paras 3·13 to 3·22.

his case at the meeting of the Licensing Committee at which his application is considered.

3.6. A Chemical Manufacturers' Association has represented to the Committee that "So far it has not been possible to find out the underlying principles for either giving or rejecting the industrial licences for setting up new plants or for expansion by the Licensing Committee. The guidelines either for giving or rejecting the licence applications, are changing, depending on the applications. Perhaps it would be desirable to clearly state the guidelines for considering the licence applications and in particular when an application is rejected the reasons for doing so should be made known, not only to the applicant but also for the benefit of the other entrepreneurs so that the whole process of making and considering applications for industrial licences may be streamlined and the least amount of time spent on this".

3.7. Asked during evidence whether any general principles had been laid down for issuing licences for establishing new undertakings or substantial expansion of existing undertakings, the representative of the Ministry of Industrial Development and Company Affairs informed the Committee that "Not in the sense of laying down principles. But the things are well-known that the unit should be economical and so on and it is the normal principle that we prefer expansion of the existing unit to the setting up a new one as it is less costly".

3.8. Asked further whether any general principles have been formulated by Government on the advice of the Sub-Committee of the Central Advisory Council, as provided in Rule 18* of the Registration and Licensing of Industrial Undertakings Rules, 1952, the Secretary of the Ministry stated that "I dont think they have laid down any principles. This Council meets, there is an exchange of information and matters are discussed".

3.9. In a written note furnished to the Committee the position with regard to the functions of the Sub-Committee of the Central Advisory Council has been clarified as under:

"As per Rule 18, the Reviewing Committee mainly reviews the work done by the Licensing Committee.

Agenda papers and the minutes of the meetings of the Licensing Committee are circulated to all the members of

*Rule 18 of the Registration and Licensing of Industrial undertakings Rules 1952 lays down that "A sub-Committee of the Central Advisory Council shall be constituted which will review all licenses issued, varied, amended or revoked from time to time and advise the Government on the general principles to be followed in the issue of licenses for establishing new undertakings or substantial expansion of the existing undertakings."

Reviewing Committee. At its meetings the Reviewing Committee examines these papers as well as the principles followed in approving or rejecting the various applications and also the recommendations of a general nature made by the Licensing Committee. Wherever it thinks fit it may differ with principles followed or recommended by the Licensing Committee and make its own recommendations to Governments."

3.10. It has been represented to the Committee by a leading chamber of commerce that "so far it has not been possible to find out the underlying principles for either giving or rejecting the industrial licences for setting up new plants or for expansion by the Licensing Committee. The guidelines either for giving or rejecting the license applications are changing, depending on the applications".

3.11. The Committee are concerned to note that since the inception of the licensing system under the Industries (Development and Regulation) Act, 1951, no general principles/guidelines have been laid down which are followed for the consideration of applications for grant of an industrial licence for establishing a new undertaking/ expansion of existing undertaking under the Act although the Rules specifically provide for it. It is obvious that in the absence of such principles/guidelines, the merits of each application are apt to be judged on an ad hoc **basis.**

The Committee suggest that Government should, in consultation with the Sub-Committee of the Central Advisory Council for Industries, lay down broad principles/guidelines for the guidance of the Licensing Committee to facilitate consideration of industrial licensing applications. Wide and effective publicity should be given to these principles/guidelines so as to dispel any misgivings from the minds of entrepreneurs. The Committee need hardly add that the broad principles/guidelines should in course of time be supplemented with case law so that the various nuances of the policy come to be crystalised in due course.

In laying down broad principles particularly for basic/key industries, the Committee need hardly stress that objective economic criteria should determine the location, size and capacity of basic/key industries. It is of the utmost importance, in the context of developing economy, that the end products of key/basic industries, which impinge on a wide range of manufactures, should be available at competitive prices, bearing parity, as far as possible, with international prices.

B. Inter-Ministerial Committees

3.12. There are two Inter-Ministerial Committees, one known as the Licensing Committee which considers applications for the grant of industrial licences and another known as the Foreign Agreements Committee which considers applications for aproval of the terms of foreign collaboration. The functions and composition of Licensing Committee are given below. Similar information regarding the foreign Agreements Committee is given in the chapter one "Foreign Collaboration".

Licnsing Committee

Functions

3.13. A Licensing Committee under Rule 10 of the Registration and Licensing of Industrial Undertakings Rules 1952 was set up on the 5th September 1952 by the late Ministry of Commerce and Industry. The applications for grant of licences under the Industries (Development and Regulation) Act, 1951 are considered by the Licensing Committee. After such investigation as may be necessary, the Committee submits its report to the Government. Rule 11, provides that in making the report, "the Licensing Committee shall have regard to the approved plans, if any, of the Central Government for the development of the scheduled industry concerned and, where no such plans exist, to the existing capacity of the scheduled industry concerned and, where no such plans exist, to the existing capacity of the scheduled industry, the demand and supply position, availability of raw materials and plant and machinery. The report should, among other matters contain recommendations regarding capital and its structure, suitability of the location proposed from the point of view of the approval plants for the industry, capacity of the plant to be installed, availability of rail-transport capacity, availability of technical and other skilled personnel required, and collaboration, if any, with foreign manufacturers".

3.14. Besides above, the Committee considers the question of revocation/cancellation of licences already issued and also requests for extension of time allowed for taking effective steps and for the establishment of Undertakings. The Committee also makes general recommendations wherever considered appropriate.

Cases not going to Licensing Committee:

3.15. To obviate the necessity of all cases coming up to the Licensing Committee, some delegations have been made by the Committee to the administrative ministries. The following categories of applications are generally disposed of without reference to the

Licensing Committee subject to the State Government or Governments concerned having no objection and provided the schemes are found satisfactory after technical scrutiny:

(a) Where it is necessary to regularise the manufacturing activities of existing industrial undertakings;

(b) Where a change of location within one State or from one State to another is proposed;

(c) Where the production of new articles is proposed and such production does not involve installation of any additional machinery or the use of imported raw material.

(d) Applications in respect of items which have been put on the rejection list. These are ordinarily rejected without submission to Licensing Committee.

Composition:

3.16. The present composition of the Committee is stated to be as follows:—

1. Secretary, Ministry of Industrial Development and Company Affairs—*Chairman.*

2. *Members—*

(i) Representatives of Ministry of Supply and Technical Development.

(ii) Representatives of Ministry of Finance, Deptt. of Economic Affairs.

(iii) Representatives of Ministry of Law, Department of Company Law.

(iv) Representatives of Ministry of Labour and Employment.

(v) Representatives of Planning Commission.

(vi) Representatives of Ministry of Railways.

(vii) Representatives of Ministry of Mines and Metals.

(viii) Representatives of Ministry of Iron & Steel.

(ix) Representatives of the Ministry of Irrigation and Power.

(x) Representatives of Ministry of Education (CSIR).

(xi) Representatives of the Ministry of Defence.

(xii) Representatives of the Ministry of Community Development.

(xiii) Representatives of Ministry of Commerce.

(xiv) Representatives of Ministry of Defence (Department of Defence Supplies).

(xv) Representatives of Department of Atomic Energy.

It has been stated that the representatives of other administrative Ministries concerned and State Governments are coopted as Members of the Committee.

Meetings:

3.17. Since its inception, the Committee has held 196 meetings, upto 30th June, 1966. It has been stated during evidence that since 1962 the Committee met fortnightly and before this the periodicity of meetings was about a month. The Committee usually meets in the afternoon on every alternate Tuesday and sits till it finishes all the applications that are before it. The average duration of the Licensing Committee meeting is about 2 hours. It has been stated that during 1965, the Committee considered on an average 30 applications for grant of licences and 47 cases of extension of validity of letters of intent/licences at each meeting. The average number of applications deferred during the year for consideration to subsequent meetings was 9.

Pendency of Applications:

3.18. Asked during evidence whether the Ministry of Industrial Development and Company Affairs maintained any statistics of time taken in the disposal of applications for industrial licensing by the Licensing Committee, the representative of the Ministry stated as under—

> "All applications which are pending for more than six weeks are brought to the special notice of the Licensing Committee. Apart from this, special studies have been undertaken fairly frequently about the pendency. During the last year, two committees have gone into this and have undertaken studies of pendency and reported to the Government. Maintenance of statistics for each case as a regular procedure by the section in the Ministry concerned may involve a substantial volume of work and staff."

3.19. Asked further whether it was not one of the functions of the Coordination and Licensing Progress Section (C.L.P. Section) of the Ministry to maintain such statistics for submission to the Reviewing Sub-Committee of the Central Advisory Council on an industry-wise basis the representative of the Ministry explained the position as under:—

> "So far as C.L.P. Section is concerned they are required under orders to maintain all the records referred to in that report. Swaminathan Committee went into this question. They have recommended that in order that this section might be enabled to discharge those responsibilities it

should be adequately staffed. Action is being taken in pursuance this decision."

3.20. The Committee have been informed further that the C.L.P. section was constituted only after the Swaminathan Committee had observed that "there is some failure in maintaining records". As to the pending cases for disposal by the Licensing Committee, the following observations by the Study Team on D.G.T.D. are pertinent:

> "The case studies have revealed that although all relevant information is being made available to the C.L.P. Section, it is rarely made use of with the result that the section records are incomplete in several respects. For the purpose of preparing a list of pending cases, the C.L.P. Section calls for the required information each month from the administrative ministries in a prescribed form instead of preparing such a list from its own records. The result is that the preparation of such a list takes a long time and by the time it is put up to the Licensing Committee, it gets out of date. The time-lag between the preparation of list by the administrative Ministry and its submission to the Licensing Committee ranges from 9 to 40 days. For an appropriate follow-up of pending cases, it is recommended that C.L.P. Section should keep a watch on the disposal of the applications, and maintain its own records up to date. The C.L.P. Section should itself prepare the pending list without any delay and without calling for such lists from the administrative ministries."

3.21. The Study Team has further observed that "Although pending cases are discussed at meetings of the Licensing Committee, no formal instructions are given to the departmental representatives for expediting disposal of pending applications. We recommend that the pending list should be formally brought on to the agenda at each meeting for discussion, so that the decisions of the Committee thereon can be incorporated in the minutes".

3.22. The Committee attach greatest importance to the maintenance of proper records by the Co-ordination and Licensing Progress Section and see no reason why it should not be possible for this section to prepare a comprehensive statement showing details of the pending cases and the reasons therefor. The Licencing Committee should carefully scrutinise this statement and give specific directions as necessary to expedite processing of the pending applications. The Committee need hardly stress that time is the essence of the matter and the Government procedure should be imbued with a sense of urgency and purpose so as to inspire confidence in

the applicants and dispel wide-spread belief that it is necessary to have contact-men to watch their brief or follow up their applications.

Rejection Committee

3.23 Under the existing procedure, references to the Licensing Committee are made only in cases where applications have been recommended by the administrative ministry. An application which is not recommended by the administrative ministry is not referred to the Licensing Committee, but is placed before a Committee of officers which for, ease of reference, is termed as the "Rejection Committee", presided over by a Joint Secretary in the Ministry of Industrial Development and Company Affairs. This is an *ad hoc* committee set up under delegation from Licensing Committee.

Functions:

3.24. The functions of the Rejection Committee are as under:

(i) To consider all applications for industrial licences which are recommended for rejection.

(ii) To consider all applications from small scale units whose fixed assets have crossed the limit of Rs. 7.5 lakhs seeking registration with the D.G.T.D.

Composition:

3.25. The composition of the Committee is indicated below:—

(1) Joint Secretary in charge of Licensing Policy in the Ministry of Industrial Development and Company Affairs—*Chairman.*

(2) Deputy Secretaries in charge of industries sections in the Ministry of Industrial Development and Company Affairs and other concerned Ministries.

(3) Representative of the D.G.T.D.

(4) Representative of the Ministry of Finance (E.A.).

The concerned Industrial Advisers and Development Officers of the D.G.T.D. also attend the meetings.

Meetings:

3.26. The first meeting of the Rejection Committee was held on the 10th December, 1962 and during the course of 3 years, *viz.* 1963, 1964 and 1965, there have been 27 meetings of the Committee (average being 9 meetings in a year).

It has been stated that during these years (1963, 1964 and 1965) the Rejection Committee considered 311, 246 and 373 applications respectively, for grant of licences under the Industries Act, which would otherwise have had to be considered by the Licensing Committee.

Re-consideration of Rejected Applications:

3.27. In a written note furnished to the Committee it has been stated that if after due consideration it is proposed in turn down an application for a licence, while communicating the decision, the applicant is informed also of the reasons for the proposed rejection and is given an opportunity to state his case against the proposed rejection within a specified period. If no representation is received within the specified period the application is finally rejected. If, however, a representation is made within the specified period it is examined in the Ministry in consultation with the technical authority concerned. Thereafter the case is submitted to the Minister before a final decision is taken. Whenever, it is proposed to reverse the decision taken earlier a reference is made to the Licensing Committee again. There is no separate body as such to consider representations.

3.28. A statement, showing the cases where rejected applications were reconsidered on representations or otherwise during the last 3 years, is given at Appendix VIII. The statement furnishes reasons for initial rejection, subsequent reconsideration and the final decision on each rejected application. The following table summarises the final decisions on the rejected applications:—

(1) Number of applications reconsidered during the last 3 years.	.. 54
(2) Number of cases where the earlier decision (rejection) was up-held.	25
(3) Number of cases where letters of intent/licences were issued on re-consideration.	.. 12
(4) Number of cases under consideration.	5
(5) Miscellaneous.	.. 11

3.29. The Study Team on D.G.T.D. have referred to the reconsideration of rejected applications by the administrative ministries concerned and has observed as under:—

> "There is already a non-statutory provision under which parties whose licence applications are rejected can prefer

appeals. The appeals are considered in the administrative ministries concerned, where the effective decision is taken. If there are no grounds for reopening a case, the administrative ministry reject the appeal and inform the party. If the appeal is found to be acceptable, the administrative ministry refer the case again to the Licensing Committee. In this arrangement, two basic principles of natural justice remain unfulfilled. Effectively the appeal is decided by the very authority on whose recommendation the rejection appealed against was probably ordered; ordinarily appeals should be considered by a different and preferably a higher authority. Also, nothing is laid down about giving the appellant an opportunity to be heard. Because of these defects, there is likelyhood of aggrieved parties retaining a feeling of not having had a fair deal in their appeals however correct the actual decisions in their cases may be."

3.30. In view of the above, the Study Team have suggested that there should be an 'appeals sub-committee' of the Licensing Committee, consisting of the Chairman of the Licensing Committee, the secretary of the administrative ministry concerned and the Director General of Technical Development or other technical adviser concerned, which should consider all appeals, give hearings to parties if they wish to be heard, and recommend reconsideration to the Licensing Committee where justified. In practice there would have to be several appeals sub-Committees, one for each sector of industry looked after by a separate ministry. There would undoubtedly be additional work involved, but by grouping appeals relating to a particular administrative ministry for being heard on one day it should be possible to make the system workable."

3.31. The Committee commend the suggestion made by the Study Team on D.G.T.D. that there should be an Appeals Sub Committee of the Licensing Committee to consider appeals preferred by applicants against the rejection of their applications and hope that Government would take an early decision in the matter.

C. Review of Industrial Licensing Policy

Frequency of Review:

3.32. The Policy governing industrial licensing is reviewed every six months and announced in the form of two lists—

(1) **List of 'banned industries' also known as the 'rejection list'; licences for these industries are not to be ordinarily granted and applications may be rejected without reference to the Licensing Committee.**

(2) The 'merit list' which is an illustrative list of industries for which applications may be entertained, provided that each case will be decided on merits by reference to the licensing committee.

3.33. The Study Team on D.G.T.D. have recommended in their report that "as a general rule industrial policy should be enunciated once a year on a formal basis" instead of half-yearly as at present. Asked during evidence whether the recommendation of the Study Team on D.G.T.D. had been considered by Government, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "the recommendations of the Study Team have been considered by an empowered committee appointed for the purpose and that that committee has made its report and these recommendations are now under the final consideration of Government".

3.34. As to the advantages and disadvantages of having an annual review of the industrial policy, the representative of the Ministry stated as under:

"If you have an annual formulation, you will have a little more stability and people know what your policy is going to be, but you have the disadvantage that you lack flexibility. If circustances change, naturally the half-yearly policy gives you an advantage, you can mould it according to circumstances."

The Committee have been informed in January, 1967 that "From the half-year commencing on the 1st July, 1966 it has been decided to undertake the review every year".

3.35. The Committee hope that the decision of Government to review industrial policy at intervals of one year insted of six months would enable the entrepreneurs to plan and programm their schemes/projects better. The Committee would, however, like the Government to keep in view the recomendation of the Study Team on D.G.T.D. that "This should not, however, preclude a review of the policy every six months or in strategic industries even more frequently, the changes, if any, arising out of such reviews being made known through a public notice. It is also our considered view that such changes during the currency of the licensing policy enunciated for a particular year should be more an exception than the rule".

Categorisation of Banned and Merit Lists:

3.36. The industrial policy review is confined to a review of the 'banned' list and the 'merit' list on the basis of recommendations made by sponsoring authorities like the Directorate General of Technical Development and other organisations like the Planning Commission, the Council of Scientific and Industrial Research etc.

3.37. The Study Team on DGTD has mentioned in their Report that "categorisation of industries in the 'banned' list or 'merit' list was being done purely on the basis of targets of capacity and capacity licensed on paper without reference to the actual production and the utilisation of capacity already installed". The Secretary of the Ministry has stated during evidence that "Both capacity and production are taken into account. For licensing further capacity we cannot go by production achieved. We have to see what capacity has been licensed. There is no use creating capacity for in excess of the demand. Then you will have over-licensing and under-utilisation".

3.38. The Committee would urge that full use should be made of the opportunity provided by the annual review to evaluate not only the progress made in issuing licences on paper but to relate them specifically to the progress made in the field by various units to reach production, their interlinkage and effect on other sectors and above all the general health and growth of national economy. The Committee need hardly stress that industrial licensing should be used as an effective instrument for channelising scarce resources of investment and foreign exchange into directions which would help to meet the challenge of the developing economy instead of merely keeping the sights glued to the targets laid down in the Plan.

Industries failing in Medium and Small Scale Sector:

3.39. The Study Team on D.G.T.D. have also observed that "revision of industrial policy is done only in respect of scheduled industries coming under the purview of the Industries (Development and Regulation) Act, 1951 and that no such clear cut enunciation of policy is made in respect of the medium or small scale industries with the result that at times the object of a particular change in industrial licensing policy is defeated by developments in these other sectors". In this connection the Committee have been informed as under:

"*Medium Scale Sector*

Industries are placed on the banned list in the large scale sector on account of any of the three following considerations:

(1) There is adequate capacity already developed in the country.

(2) The industry requires a large amount of imported raw materials.

(3) The small scale sector is well-developed in the particular industry and, therefore the industry may be banned in the large scale sector.

It is expected that where there is adequate capacity in the country, in a particular industry, new enterprises will not come up in that line even in the medium scale sector in their own interest, even if the industry does not require imported capital goods or imported raw material. Where the proposed medium scale unit requires imported raw-materials, it will have to be registered with the D.G.T.D. who would ordinarily refuse to register it either because of its excess dependence on raw materials or because of the capacity already developed in the small sector. In view of this, it will be difficult for a new medium scale unit to be set up when particular industry is on the banned list in the large scale sector, unless the industry does not require any imported capital goods or imported raw materials.

Small Scale Sector

The Development Commissioner (Small Scale Industries) issues, from time to time, list of industries in respect of which applications for setting up new units in the small scale sector may, ordinarily, be rejected. The State Directors of Industries have been advised not to encourage these industries. This list is finalised after taking into consideration the items banned for licensing in the large scale sector but bearing in mind the scope for the development of the small scale sector. Thus, the licensing policy in the large scale sector is followed in the small scale sector also to the extent necessary. It may be mentioned that certain items are banned in the large scale sector mainly to provide scope for development in the small scale sector and so the list of banned items cannot be the same for the large and medium scale sectors, on the one hand, and the small scale sector, on the other."

Delay in issue of Banned List

3.40. The dates of issue of 'banned' lists during each of the last four years and the period for which they were operative are as follows:

	Date of issue	Period for which Banned List was Operative
1.	18th June, 1963 . . .	April' 63 to December, 1963.
2.	16th March, 1964. . .	January-June, 1964.
3.	24th July, 1964 . .	July-December, 1964.
4.	20th February, 1965 . .	January-June, 1965.
5.	12th August, 1965 . .	July-December, 1965.
6.	23rd February, 1966 . .	January-June, 1966
7.	27th September, 1966 . .	July, 1966 to March, 1967.

It will be seen that there have been considerable delays in the issue of banned list by the Ministry during the last four years.

3.41. In a note furnished to the Committee in January, 1967 it has been stated that till June, 1966 the 'banned list' used to be published for the half years January-June and July-December, each year. The reviews were accordingly scheduled to be undertaken every six months. It has not, however, been possible, very strictly, to adhere to the time schedule as essential data required for the review did not often become available in time. From the half-year commencing on the 1st July 1966, it has been decided to undertake the review every year and issue the 'banned list valid for the year'."

3.42. A Chamber of Commerce has suggested that the 'banned' list as well as the 'merit' list of industries should be issued well in time and made available to all Chambers of Commerce and recognised associations of industries.

3.43. The Committee consider that the categorisation of industries in the merit/banned lists should *inter-alia* take into consideration the production targets laid down in the Five Year Plan, total capacity licensed and the existing installed capacity. They agree with the views of the Study Team on D.G.T.D. that the only possible way of taking care of the situation would be to pay particular attenton at the time of the periodical review of the policy to those industries where there is already under-utilisation due to paucity of foreign exchange or shortage of raw material; the aim should be to ensure that ordinarily no new capacity is encouraged in these industries unless the existing capacities are utilised upto an optimum level to be determined for each industry on the basis of the forecast of resources that would become available at a future date and the gestation period for the setting up of new capacities".

The Committee would also urge that there should be no delay in the issue of banned list which should be published just before the beginning of the period to which it pertains.

D. Registration of Industrial Undertakings

3.44. The concept of registration of applications for setting up industies was devised as a measure of relaxation as compared with the rigours of industrial licensing. What was intended was that the units not requiring any kind of assistance in the shape of imports of allocations should be made free from licensing restrictions and the registration system in such cases was meant to be automatic and mainly for statistical purposes. Even for units requiring imports and allocations, registration was thought of as a device to help rather than to control.

Procedure for Registration

3.45. With a view to extend assistance to units which neither come within the purview of industrial licensing nor small scale industries, Government have initiated the procedure for registration of industries. Government have clarified in a recent Press note (17th Feb., 1967) the scope of registration of such industrial units with which the Director General of Technical Development or other appropriate Central Government agencies are concerned. These industries fall under two categories, *viz.*:

(i) Undertakings which have fixed assets not exceeding Rs. 25 lakhs. Exceptions are industries relating to coal, vanaspati, oil seed crushing, roller flour milling, power-loom textiles, leather and matches.

(ii). Undertakings engaged in industries which have been specifically exempt from the provisions of the Industries Act.

3.46. It has been stated that small scale industries with fixed assets upto Rs. 7.5 lakhs exclusive of the value of land and buildings will continue to be looked after by the State Directorate of Industries and other sponsoring authorities as at present.

3.47. Industrial units which, in the process of normal growth exceed Rs. 7.5 lakhs, will have to apply for registration to the DGTD or any other appropriate Central Government agency. Such applications will be routed through the State Director of Industries who will certify that the particular unit has actually crossed the small scale limit as a result of normal growth. Registration of such units will be automatic provided the industry is not on they 'banned' list for industrial licensing even for expansion. Wherever necessary, the DGTD may verify the value of the fixed assets of the units. The only grounds for refusal of registration will be:

(1) the industry is on the 'banned' list even for expansion;

(2) the unit has not actually crossed the Rs. 7.5 lakh limit; or

(3) the application for registration of expansion is made too soon after the establishment of the unit.

3.48. It has been stated that units which have applied for registration with the DGTD on crossing the small scale limit will continue to be borne on the list of State Directors of Industries until they are taken over by DGTD.

3.49. In respect of existing units that wish to expand beyond the limit of Rs. 7.5 lakhs or new units which are proposed to be set up

with fixed assets between Rs. 7.5 lakhs and Rs. 25 lakhs, it has been stated that the present practice of provisional regisration will be discontinued with immediate effect. Industries in this category which can be set up with indigenous equipment and which require only indigenous raw materials, not subject to distribution control or allocation of quotas because they are scares, will be free to go ahead without any governmental clearance. They will only have to register themselves with the appropriate technical authorities before actually going into production. In their cases, registration will be automatic and is intended only for statistical purposes.

3.50. In other cases, where the scheme involves import of capital equipment, the parties will have to make an import application through the sponsoring authorities as at present. This application will be supported by supplementary information about articles to be manufactured, capacity details and value of raw materials required and terms of foreign collaboration. After clearance has been given registration which would be automatic should be applied for. Where there is no import of capital goods, but only recurring import of raw materials or allotment of scarce indigenous raw materials, it is essential for the parties to consult before-hand the proper authority. In respect of industries which have been delicensed and no capital goods clearance is necessary, registration is automatic. If however, capital goods clearance is necessary, this must be obtained before registration. Prior approval of Government is necessary in all cases of foreign collaboration.

Levy of Free for Registration

3.51. The Study Team on DGTD has recommended that a suitable fee should be prescribed for registration of applications. It has been argued that "There is sometimes an element of casualness in applications for registration and this results in valuable time of the Directorate General being taken up in calling for further information and so on. On occasions, units with assets below Rs. 5 lakhs (now Rs. 7.5 lakhs) apply for registration and so do persons intending to set up industries in the banned list." It had been suggested to the Study Team that the levy of suitable fee for registration might help to eliminate applications which only create infructuous work. As to the action taken on the recommendation of the Study Team on DGTD, the Committee have been informed during evidence that "this matter will also be considered by the high powered committee."

3.52. The Committee welcome the simplification and rationalisation of registration procedure announced by the Government recently.

The Committee suggest that registration of all industrial undertakings, irrespective of the fact that they fall in the small or large scale sectors, or they are scheduled or non-scheduled industries, should be strictly adhered to by the appropriate authorities, as such a measure would provide ready and reliable data for working out the requirements of foreign exchange and scarce raw materials/maintenance goods as also their allocation according to their needs and availability. The Committee have already recommended in their 105th Report (Third Lok Sabha) for the compulsory registration of small scale units and have desired that "The procedure for registration should be shorn of all unnecessary formalities and made simple and business-like so that the units do not feel any difficulty or hesitation in complying with the requirements."

3.53. The Committee agree with the recommendation of the Study Team on DGTD that in order to eliminate infructuous work a suitable fee should be prescribed for registration applications and urge that an early decision should be taken in the matter.

Definition of Fixed Assets

3.54. It has been observed in the report of Study Team on DGTD that "in marginal cases, it is difficult to decide whether a particular application is eligible for registration or not. The difficulty arises out of uncertainty about the value of the assets of the unit sought to be registered. Because of the scramble to get on to the books of this organisation, there is a tendency to inflate assets by showing excessive land or by including non-productive equipment like trucks and office equipment as machinery. In case registration work is to remain with the Directorate General in significant volume, there is a need to define fixed assets clearly. The basis for evaluation also needs to be specified i.e. whether it should be the original purchase value or the current market value. There would be advantage in requiring applications to furnish certificates, duly attested and signed by chartered accountants or even by Directors of Industries of the concerned States, testifying to the fixed assets and their valuation."

3.55. A Chamber of Commerce and Industry has suggested that this capital limit (of Rs. 25 lakhs) should be increased substantially and progressively—say to Rs. 2 crores in the first instance and thereafter to Rs. 5 crores.

3.56. Another Chamber of Commerce has suggested enhancement of the present overall investment limit of Rs. 25 lakhs on fixed assets to Rs. 50 lakhs in view of substantial increase in cost of land, buildings, plants and machinery.

3.57. Asked during evidence whether there was any proposal to increase the fixed limit of Rs. 25 lakhs the Secretary of the Ministry of Industrial Development and Company Affairs stated that "There is nothing sacred about the figure of Rs. 25 lakhs. We could go on increasing it and the area in which we have regulation will decrease. Our control over development also decreases. I cannot say that it can't be Rs. 30 lakhs. It seems to me that this 25 lakhs is a substantially large figure, as it is." Asked further whether it was intended to revise the limit after devaluation, the representative of the Ministry stated that "We have not considered it yet."

3.58. The Committee are not aware whether at the time of laying down the limit of Rs. 25 lakhs for licences for scheduled industries, the ever increasing cost of land, building, machinery, etc. was taken into account. Since the limit was laid down in 1964, there is no denying the fact that there has been a marked rise in the cost of land, buildings, machinery and the position has been further accentuated due to rise in prices of machinery, components etc. after devaluation. In view of these considerations, the Committee consider that it would be reasonable to revise the basis of 'fixed assets' so that the value of plant and machinery alone is taken into account in computing the capital limit. This would help in applying the definition uniformly to all industries, irrespective of the varying costs of land and buildings from place to place, and from time to time.

E. Calling and Consideration of applications for licences

3.59. The Study Team on DGTD have observed in their Report that "after the announcement of industrial policy for a particular period, enough time is not given to all entrepreneurs who may wish to apply for licences, with the result that those who are in the early know of things apply immediately after the announcement, thereby securing the advantage of commitment of the available capacity in their favour in preference to those who might have taken more time to send in their applications for want of prior knowledge. Apart from the fact that such a procedure does not afford equal opportunity to all applicants, it also appears to deprive the Government of the opportunity of considering the *inter-se* merits of different applications for setting up units in the same industry and selecting the most suitable of them." The Study Team has accordingly recommended that:

> "all applications for setting up units in an industry affected by the changes in the industrial policy received within 30 days after the announcement of the policy should be included in the agenda for consideration by the Licensing Committee."

3.60. In a note furnished to the Committee, the Ministry of Industrial Development and Company Affairs have informed that Government has decided to accept the above recommendation of the Study Team.

3.61. A manufacturers' association has alleged that the authority under the Industries (Development and Regulation) Act has "deviated from the accepted policy of 'first-come-first-served' basis in view of certain political pressures as well as pressures from the States....."

3.62. The representative of the Ministry of Industrial Development and Company Affairs stated during evidence that the applications for industrial licences are taken up for consideration on the basis of 'first-come-first-served' as "that is the general rule". Asked whether there had been any case of deviation, the representative of the Ministry stated in reply as follows:—

> "Deviation comes like this. Sometimes, you take 3 or 4 or 5 applications pertaining to a particular industry together. You take them all together so that you can judge them together. Sometimes it happens that in respect of an application which comes first, you have to obtain some clarifications from the party concerned. It is just possible that the clarifications are furnished later. You do not hold up the second application just because the first applicant has not furnished all the clarifications that were needed".

3.63. The Committee desired to know the views of Government regarding a suggestion made by a leading industrialist of the country that "it is not un-common that the application for expanding the existing plan facility or installing a new capacity has been granted to entrepreneur A, while an application from entrepreneur B for a similar licence has been rejected on the grounds that sufficient capacity has already been allowed though the investment cost and foreign exchange cost per annual tonne output of the project put up by the entrepreneur B is about one-third or one-fourth the cost per annual tonne of the project of entrepreneur A, merely because entrepreneur A applied for th licence earlier than the entrepreneur B. A more practical approach to this problem would be to invite from prospective entrepreneurs fairly firm statements regarding the current and capital cost per ton of the major products they wish to manufacture either a new or in the process of fresh expansion. The Government could then select that scheme which would, other things being equal, have the highest rate of return in terms of capital employed consistent with the lowest price chargeable to the consumer and the lowest foreign exchange content."

3:64. The Secretary of the Ministry of Industrial Development and Company Affairs stated that "This is an important suggestion. I would like to consider it before offering any views. It is an interesting suggestion which, I think, will have to be considered carefully."

3.65. In a written note subsequently furnished to the Committee the position has been explained by the Ministry of Industrial Development and Company Affairs as under:

"The main contention of the suggestion is that applications are turned down on grounds of 'no further capacity' even though the investment cost and foreign exchange costs are much lower than another application which has been received and approved earlier.

The position is that when an application is put up to the Licensing Committee for consideration a mention is made in the summary of the case of the appilcations pending in office relating to the same industry. More often than not, when similar schemes have already been received, the Licensing Committee does not examine the case put up to it, but returns it with the advice that all applications may be put up together with a comperative study.

However, if after an application has already been considered, approved and a letter of intent/licence has been issued, a scheme for the same industry with less cost is received, for obvious reasons it is not possible to cancel the letter of intent/licence issued earlier and entertain the new applicatons.

The possbility of introducing a procedure of inviting applications in specified fields and considering them together periodically with a view to giving preference to enterpreneurs who require the minimum foreign exchange etc. was examined by the Industries Development Procedures Committee* The conclusion was that such a procedure

*The Industries Development Procedures Committee have made the following observations:

"A suggestion was made to the Committee that applications for industrial licences in specified fields should be invited and considered periodically once in 3 or 6 months; that if possible, information regrading the source of credit or foreign exchange available for import of capital goods should also be indicated; and that all the applications should be considered together and preference should be given to enterpreneurs who require the minimum foreign exchange. After lengthy discussion the Committee came to the conclusion that the earmarking of foreign exchange or sources of credit for specified industries to be utilised during specified periods will present serious practical difficulties. Such a procedure is likely to lead to the bunching of licences instead of their being spread appropriately throughout the Plan period and will result in delays or failure to utilise available foreign loans and credit to the overall detriment of the interests of the country. The Committee was, therefore, not in favour of accepting this suggestion."

is likely to present serious practical difficulties. This was likely to result in bunching of licences instead of their being spread appropriately throughout the Plan period and would result in delays or failures to utilise available foreign loans and credits to the overall detriment of the interests of the country. The Committee, therefore, recommended that there need be no change in the present procedure. Though the Government have accepted the recommendation, further thought is being given to this matter."

3.66. The Committee feel that at the present stage of development of Indian economy, it is essential that emphasis should be placed on establishment of most competitive industrial units so that the end-products are available to the public at competitive and low prices. The Committee, therefore, recommend that Government should evolve a suitable procedure for inviting applications by public notice from prospective entrepreneurs, who should be given adequate time to enclose with their applications feasibility reports indicating the capital cost, the foreign exchange components, the cost and sale price per unit etc. so that applications may be judged on the basis of their competitiveness. The Committee suggest that the procedure in this behalf should be worked out in consultation with representative bodies of producers, trade, commerce, industry and consumers and finalised with the approval of the Central Advisory Council for Industries.

F.-Processing of Applications

3.67. Rule 15 of the Registration and Licensing Undertakings Rules 1952 lays down a period of three months within which decisions should be taken on applications for industrial licencees. For various reasons, this provision has, in practice, remained inoperative. The Industries Development Procedures Committee (1964) (Swaminathan Committee) which carried out case studies of a few applications for industrial licences came to the conclusion that a majority of applications took more than 5 to 6 months to be disposed of. In that Committee's view, the delay was due partly to the long time taken in the movement of files from one authority to another and partly to delays inherent in the system involving consultation with multitudinous authorities. That committee, therefore, suggested a revised procedure for handling these applications with a view to bringing down the disposal time to 6 weeks. It was the expectation of that committee that, under the new procedure, it should be possible for the Ministry of Industrial Development and Company Affairs and the administrative ministries to process an application and to put it up before the Licensing Committee within 5 weeks of its receipt in the Ministry of Industry. Out of these 5 weeks, 3 weeks were

to be taken by the technical advice agency for giving its comments, one week by the administrative ministry in preparing the summary for the Licensing Committee, and one week by the Ministry of Industrial Development and Company Affairs in performing the centralised functions of receiving and diarising the application, acknowledging it, forwarding it to the administrative ministry, inviting comments of technical advisers, State Governments and others concerned and finally putting it up to the Licensing Committee. The communication of the decisions to the applicant was expected to take another week. Thus, the entire processing of an application upto the stage of issuing a letter of intent was to be completed in 5 weeks.

3.68. The case studies carried out by the Study Team on Directorate General of Technical Development (1965) (Mathur Committee) have revealed that this expectation has not materialised. Of the 122 cases studied, 81 were dealt with and disposed of in accordance with the revised procedure and, in their case, the average disposal time worked out to 145.5 days for applications disposed of in consultation with the Licensing Committee and 98 days for applications disposed of without consultation with the Licensing Committee, the overall average time being 131.5 days. These cases, however, constituted only 66 per cent of cases selected for study. The remaining 34 per cent cases (41 applications) falling in this category were still pending at the time of the study. The Study Team has stated that 'if these cases are also taken into account and the average is struck on the basis of the entire lot of 122 cases, the average disposal time is likely to work out to 180 days, which would obviously be a more representative figure. Viewed in this context, it would appear that even the revised procedure has not been very effective in reducing the time taken in the disposal of industrial licence applications."

3.69. The Study Team on DGTD in their report have concluded that "From the average of 145 days, it should be possible to come down to about 70 days in the more simple cases and about 100 days in others." They have recommended the following time table in regard to the disposal of an industrial licensing application:—

Routine scrutiny, sending of acknowledgements and endorsing copies of applications to the DGTD, State Governments and others	4 days
Technical scrutiny by the DGTD	21 to 45 days
Compilation and examination of the comments received from DGTD, State Governments, etc. and preparation of draft	

summaries/notes for the Licensing Committee/Rejection Committee	14 days
Obtaining the approval of the Licensing Committee/Rejection Committee	14 days
Issue and communication of minutes of the meetings of the Licensing Committee/ Rejection Committee	10 to 14 days
Issue of final orders *i.e.* Licence/Letters of intent/rejection memoranda	7 days
	70 to 98 days

3.70. A leading industrialist has complained that "In spite of the recent attempts at simplification of licensing procedures delays continue to occur in the issuance of industrial licences and subsequent clearances. Technical advisers take 2 to 3 months to complete technical scrutiny after receipt of an industrial application. Recommendations from different Ministries and Departments are held up which again delays the final issuance of 'letters of intent' and industrial licences. All told, it is estimated that even in the case of some of the key industries, the timelag in the issuance of the 'letters of intent' has been six months or more. While time limits for various clearances are stipulated they are hardly ever adhered to, mainly because of the multitudinous authorities involved in decision making. Since no one wants to own the risk of a decision, papers move from Department to Department and the effect of these delays are directly felt in the form of shortfalls in achievement of capacity in time."

3.71. It has been brought to the notice of the Committee by a leading manufacturing organisation that "During the processing of applications, the applications are not studied in all details and all the clarifications are not called for at one time. With a view, however, to dispose of the applications within the prescribed time, only one or two queries are made and later on more queries are issued."

3.72. Asked during evidence to indicate the average time taken in processing licensing applications, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "Before the Licensing Section can deal with the application, it must have a technological assessment of that application by the appropriate authority. In making that technical assessment, the technical authorities are sometimes handicapped for want of full information; they have therefore, to send for the party and ask for some further details on what the party intends doing and quite often the party says that

he is not in a position to answer those questions straightaway and he goes back and then furnishes us the information in writing a little later. It is only after that information is available, the technological assessment can be made."

3.73. As regards delay on account of asking information piecemeal, the representative of the Ministry stated that "That criticism is there. But we have discussed it with the Director General of Technical Development and they are trying to see that as far as possible all questions which ought to be asked, are asked for at one time. There may be occasions when we have to ask for some more information. But generally whatever we ask for we should ask for once and for all." The Committee desired to know as a case study the number of times each of the application for industrial licensing received during January to April 1965 and 1966 was referred back to the applicant for clarifications and further information and at what level it was done so. The Ministry in a note furnished to the Committee while expressing their inability to furnish the requisite information have stated that "Full particulars of clarifications and further information sought from the applicants will require detailed study on the basis of files maintained in the various Ministries or the offices of the Technical Adviser such as the D.G.T.D." They have, however, stated that the number of applications received complete in all respects [that is, as regards number of copies and Treasury Challan towards fees on applications for licences under the Industries (Development and Regulation) Act 1951] and accepted for processing during the period January to April 1966 was 564 and 773 during the same period in 1965."

3.74. While the Committee note that as a result of the implementation of the recommendations of the Industries Development Procedures Committee the time taken in the processing of applications for industrial licensing has come down from over 6 months i.e., 180 days to nearly 145 days; they, however, consider that even the period of 145 days is still on the high side. The Committee cannot but strongly urge that constant endeavours should be made to bring down the period at least to the level of the time table (70 days in the case of more simple cases and about 100 days in others) suggested by the Study Team on D.G.T.D. as a result of their case study. They have a feeling that if the records are kept properly and upto date and the movement of the applications is closely watched, it should not be difficult to achieve the desired results.

G. Delay in Implementation of Licences

3.75. The reconstituted Industries Development Procedures Committee have observed in their Report that "in a very large number of cases, licences remain unimplemented for long periods." That Committee has suggested that "Government should undertake a

study, particularly in respect of 'key' industries, of the cause of licences remaining unimplemented for unduly long period, with a view to taking remedial action." In a note furnished to the Committee, the Ministry of Industrial Development and Company Affairs have stated that "a study has been undertaken in the cases of steel castings/forgings."

3.76. The Study Team on DGTD has also referred in their Report to the delay in the implementation of the licences. The Study Team has stated that "Registration of a unit where capital goods are imported is done immediately after a licence for import is granted. It could be that an applicant does not take further steps for commencing production for a long time after obtaining the import licence. The suggestion made to us is that registration in such cases should be done only after the applicant has opened a letter of credit for a substantial portion of the machinery. Such arrangement would help to make the applicant take early steps for going into production. In the case of his failure to do so, it was suggested that a mechanism may be devised for 'deregistration', somewhat on the lines of revocation of industrial licences."

3.77. Asked during evidence if there was any provision in the Industries (Development and Regulation) Act for deregistration of an industry where it delayed the commencement of production after obtaining the import licence, the Secretary of the Ministry of Industry stated that "The Act does not provide for it. The Act stops when the industry has been set up.....We shall examine it in connection with the recommendation of the Mathur Committee (Industries Development Procedure Committee)".

3.78. The Committee desired to know the number of cases which had come to the notice of the Ministry during the Third Plan period, where an entrepreneur, after obtaining import licence for capital goods, had failed to commence the production. The written reply furnished to the Committee by the Ministry is reproduced below :—

> "Registration apart from industrial licensing for units with capital assets between Rs. 5 lakhs and Rs. 25 lakhs is of comparatively recent origin. It is a little too early to give precise answer to the question raised. We are not aware of any cases under the registration scheme where after issue of import licence the entrepreneur has failed to utilise the capital goods licence and commence production. It may be mentioned that no application is registered unless the applicant gets a C.G. licence, if required. If an entrepreneur delays implementation of scheme after obtaining a licence, and if he comes for revalidation of the import licence, this is not normally recommended unless adequate and valid reasons are furnished."

3.79. According to case studies conducted by the Study Team on DGTD (Mathur Committee) "time-limits originally prescribed for taking 'effective steps and for 'starting production' at the time of granting licences are not based on realistic estimates. To give an example, in one case where the time required for starting production was estimated as one year, the firm took only 7 months and 17 days but in another case where also the time estimated was one year, the firm could actually commence production only after as long as a period as 7 years, 10 month and 6 days. The result is that the licences are not able to adhere to the set time schedules and have to come up for extensions which in the interest of industrial development have to be granted rather liberally. The normally stipulated periods of 6 months for taking effective steps and 12 months for the commencement of production might have been adequate some years ago, but these time-limits no longer seem to be realistic. In view of the present day shortage of building materials like cement and steel, difficulties in procurement of land and power, long waits involved in obtaining clearance of foreign exchange for the import of capital goods and finance from financial institutions, it takes much longer for a licensee to be in a position to take 'effective steps' or to establish an undertaking than it did some years ago. The effect of persisting with the time-limits arrived at some years ago is that numerous extensions have to be applied for and granted as a matter of course and this unnecessarily increases work all round."

3.80. Asked during evidence to state whether at the time of granting licences any time limits are prescribed for taking effective steps and for starting production, the representative of DGTD stated that "normally six months are given and in cases where a longer time is required, upto two years have been given in a few cases, depending on the complexity of the problem facing the industry. But normally we try to adhere to the time limit prescribed and it is only after careful consideration that any extension of time is given to the individual applicant.....In the Mathur Committee Report it is said that in 80 per cent of cases there was delay in taking effective steps—in some cases the delay is 3 days, 5 days and in one case it is 1202 days."

3.81. The Committee desired to know specifically the number of cases where the time-limits for taking effective steps to establish production, had not been adhered to in 1965 and 1966. The information furnished by the Ministry is as under:—

"Of the cases reviewed during the year 1965 for ascertaining the progress, if any, towards implementation of licences, delays were observed in the case of 988 licences; and 711 licences during the year 1966 (upto 31st October, 1966).

The delays in all the cases were beyond 9 months. As delays were not without reasonable cause, in cases of 1,245 licences, (727 during the year 1965 and 518 during the year 1966—upto 31st October, 1965), the time-limits were extended. In 409 cases of licences (216 during the year 1965 and 193 during the year 1966—upto 31st October, 1966) in which the delays were assessed as without reasonable cause therefor, the licences were revoked."

3.82. The Committee are concerned to note that there have been considerable delays in the licensees taking effective steps to start production after the grant of industrial licence. They particularly note that delays over 9 months have occurred in a very large number of cases i.e. **988 cases in 1965 and 711 cases in 1966 (upto October, 1966). The Committee consider that the time taken in establishing production is the essence of the matter as time lag or shortfall in production in one sector is apt to have adverse inter-sectorial impact on targets and production in other related sectors. The Committee, therefore, stress that Government should keep a careful watch to ensure that effective steps** viz. **placing a firm order for supply of substantial part of the plant and machinery required for the undertaking, are taken by licensee well in time after the grant of licences. Government may also consider as to what measures can be taken to facilitate the task of a licencee in getting power, scarce building materials like steel, cement etc. for setting up the industrial unit. The Committee also commend the suggestion made by the Study team of D.G.T.D. that registration of units should be done only after the licensee has opened a letter of credit for a substantial portion of the machinery to be imported on Capital Goods Licence.**

H. Licences issued since devaluation

3.83. Asked to indicate the number of applications received, since devaluation, for starting new industries and for expansion of the existing units and how these figures compared with the number of applications received during the corresponding period in 1964 and 1965, the Ministry of Industrial Development and Company Affairs have stated that: the number of applications received for licences for new industrial undertakings and for effecting 'substantial expansions' to industrial undertakings, during the period from the 6th June to the 31st October of 1964, 1965 and 1966 are as follows:

Total No .of applications recieved for	From 6th June to 31st October		
(1)	1964 (2)	1965 (3)	1966 (4)
Licences for New industrial undertakings	475	382	1°3
Licences for effecting 'substantial expansion'	182	181	105

3.84. According to Ministry of Industrial Development and Company Affairs the decline in the number of applications during 1966 is perhaps because a number of Scheduled Industries has been de-licensed.

3.85. The Committee have further been informed by the Ministry in February 1967 that out of the applications received during 1966, (June to October) one each for new industrial undertakings and for affecting 'substantial expansion' were accepted till October 1966 and licences are stated to have been issued in these two cases. Out of the applications received during 1966, 169 for new undertakings licences, and 94 for 'substantial expansion', licences, were pending on 31st October 1966. It has been stated that there is, no progress in the setting up of the two units for which licences have been issued as a time-limit of 6 months for taking 'effective steps' and one year for implementation of licences are usually required.

3.86. The Committee note that the number of applications received for licences for new industrial undertakings and for effecting substantial expansion during the period June to October, 1966 has been much smaller than that received during the corresponding periods in the years 1964 and 1965. They are distressed to note that out of the applications received during 1966 (June to October), only one application for new industrial undertaking and one for effecting substantial expansion was accepted ad licences issued therefore till October 1966. They are surprised that out of 183 applications received for new industrial undertakings and 105 for substantial expansion as many as 169 and 94 respectively were pending.

The Committee cannot too strongly depricate the abnormal time taken in the disposal of applications particularly when there has been so much stress on streamlining the procedures by the Industrial Development Procedures Committee and Study Team on DGTD. They recommend that the reasons for these delays may be gone into by Government and remedial measures taken with a view to speedy clearance of applications in future.

I. Phased programme for licensing

3.87. It has been represented to the Committee by a leading manufacturing organisation that "Self-reliance till recently was interpreted as self-sufficiency in industrial capacity, with the result that licences were issued under the Act for setting up industries without considerations to the necessity for the utilisation of installed capacity before licensing new capacities. Majority of industries

tagetted for a five year Plan are licensed during the first year, with the result that our dependence on imports increases multifold. It is, therefore, essential that licensing under the Act is phased out in consonance with the availability of foreign exchange and the development of complementary indigenous capacity".

Phasing of Licensing of Industries.

3.88. Asked during evidence if Government had considered the necessity of preparing perspective plan for industrial development of the country for a longer period say 10 to 15 years so that there was a phased programme for licensing of industries which would help not only in easing the strain of foreign exchange resources but would also ensure development and utilisation of the complementary indigenous capacity in the country, the Secretary of the Ministry of Industry stated that "The whole thing really depends on what is the estimated time for the capacity to come up. As you know even with full licensing in the Plan there have been shortfalls. If we have phased licensing we will only aggravate the shortfalls. Therefore, we do take into account roughly what is the time, the period, in which the industry of a particular kind can be expected to come into production". In reply to another question he stated that at the time of issue of licence proper assessment of the position of raw material and foreign exchange was taken into account but sometimes the estimate went wrong. He further added that "For the Plan (Third Plan) as a whole it was anticipated that a certain amount of money would be available and that will be for maintenance requirement. It is a fact that these expectations did not prove to be entirely correct. Another hing is that many of these industries after they were set up, were expected to save foreign exchange".

3.89. Asked, further as to what action was taken to see that the taget not reached in the earlier year was reached in the next year of the Plan, the Secretary of the Ministry informed the Committee that "The Plan targets are not given year-wise. Usually there is a target for the end of the Plan. When we set up capacity one cannot expect that capacity will materialise immediately. Therefore, before the beginning of a Plan or just when the Plan has begun we start licensing capacity having regard to the period in which it is likely to fructify". Asked further as to what action was taken to see that the production was according to the target, it has been stated that:

> "The action is three fold. Part of the capacity to come up in the public sector and part of the capacity comes up in

the private industry. Where it is a case of public sector being involved naturally the effort is to get the public sector project implemented as soon as possible so that it gives the production that is planned for it. That is one action. The other action, it is in the private sector, to review whether more licensing is necessary and if so, to encourage such licensing. Thirdly to see what is hapening to the licenses which have already been given."

3.90. The Committee note that the question of a phased programme for licensing of industries was considered by the Study Team on D.G.T.D. also. The following were mentioned to that study team in support of the suggestion:

"It has been mentioned that for the Third Five Year Plan, licences in many industries were issued almost to the ceiling limit of targetted capacity even by the time of commencement of the Plan or in the first year of the Plan. It is urged that in view of the scarcity of foreign exchange and certain raw materials and the tight position in the capital market, the issue of a large number of licences in a relatively short period throws considerable strain on the limited resources which tend to get apportioned over a large number of claimants with the result that the licencees are unable to implement schemes as expeditiously as required. It is argued that if, on the other hand, the number of licences issued at any period of time is restricted, the strain on resources would, to that extent, be reduced, with the possibility of a much higher percentage of licences being implemented".

3.91. The following points were aavanced before the Study Team on D.G.T.D. against the suggestion to phase out the industrial licensing programme:—

(a) Where the licences have been issued in full in the beginning of the Plan, it becomes possible to carry out periodical reviews of the position during the Plan period and where it is found that the parties would not be able to implement their licences, steps are taken to revoke those licences and issue fresh licences to other parties. If on the other hand, phasing of industrial licensing is adopted, short-falls in implementation which are found to occur would come to notice rather late and, to that extent, the time available to fresh licencees for setting up capacity to make up the short-falls would be correspondingly reduced.

(b) Again, if licensing is to be done according to a phased programme, one other result would be that applications received in excess of the available target, would have to be carried over to the next licensing period. No useful purpose would be served by delaying the consideration of these applications for one more licensing period merely for the sake of phased licensing. Greater advantage would lie in this very period being allowed to be utilised by the licencees for implementing their schemes.

(c) If licensing is restricted according to phased programme, it could also lead to trafficking in licences with its attendant evils.

In view of above, the Study Team recommended that it "would not be desirable to introduce a system of phasing of industrial licensing".

3.92. In the draft Fourth Plan emphasis has been laid on the 'phasing' of the Plan projects in the following words:—

"There should be an insistence on the most efficient and economic phasing of the plan programmes, which alone can ensure the maximum returns out of the scarce resources available. Projects which have already made substantial progress should be completed as quickly as possible. The progress of all related projects should be kept under constant and careful watch so that none of them may fall out of step. No new project should be started until it has been fully worked out in all its details and there is reasonable certainty of requisite resources being available in time. Above all, the phasing should be such that the achievement of the target is ensured. Since it may not be possible to complete all the requisite exercises before the five year plan is finalised, the annual planning has to be done much more carefully than hitherto. No project should be included in the annual plan unless it satisfies the criteria indicated above. Greater use has also to be made of the annual plan exercise to take full advantage of any unforeseen opportunity that may present itself".

3.93. From the reply of the Ministry it would appear that in most cases, licences are issued for attaining the targetted capacity about the beginning of the Plan period. The Committee have considered the points which were advanced before the Study Team on the Director General of Technical Development against the phasing out

of the industrial licensing programme. While there is some force in these points, the Committee feel that the issue of a large number of licences in a relatively short period tends to impose great strain on the available resources like investment capital, foreign exchange, scarce raw materials, finding foreign collaborators as well as the domestic suppliers of equipment, etc. Such a procedure also leads to the blocking up of the whole capacity for the Plan period and thereby tends to encourage the interested parties and groups to foreclose the licensed capacity. It also results in placing undue emphasis on the mere chronological receipt of applications rather than on their intrinsic merits and competitiveness. The Committee urge that the feasibility of phasing out licensing may be examined by Government in the light of above considerations.

J. Priority Industries

3.94. Following devaluation on the 6th June, 1966, Government drew up on 21st June, 1966 a list of 59 'priority' industries. This list (as shown in Appendix IX is started to have been drawn up on the basis of the importance of the industry to the national economy, the significance of the industry to the export effort and whether or not it was an essential item of mass consumption. It also includes small scale industries. The various facilities which are being afforded to the industries included in the list are set out in the Press Note dated 21st June, 1966, which is reproduced below:—

> "The Government of India recently announced their intention to liberalise imports of raw materials, components and spares in order to secure higher levels of production in agriculture and industry. As a first step, the following measures are announced.
>
> Special arrangements are being made to import in large quantities fertilisers and pesticides, sulphur and rock phosphate, in order to support the rapid expansion of agricultural production.
>
> Certain raw materials needed primarily for export production will be allowed to be imported on an Open General Licence which in the first instance will be valid for shipments made upto March 31, 1967. These are raw hides and skins, tanning substances such as wattle bark and wattle extracts and cashewnuts. A separate announcement will be made about other requirements of export industries which will also be met as a matter of the highest priority.

For the 59 priority industries raw materials, components and spares required for production upto full capacity for six months will be provided. The priority industries include many important export industries, industries meeting the common requirements of people and above all capital building industries. In the case of other industries, allocations will be made according to the resources available and the essentiality of the product. For all industries, licensing will naturally conform to the availability of foreign exchange from different sources.

Small scale industrial units making the same products as the priority industries will be given the same liberal facilities. Assessment of their requirements by sponsoring authorities may cause delay. It is, therefore, proposed to grant them licences immediately to the extent of thrice the rupee value of the licences givn in 1964-65. In the case of other small scale units import licences will be issued for twice the rupee value of licences issued in 1964-65.

Imports of copper and zinc will be made both through actual users and by the minerals and Metals Trading Corporation which will be expected to look after the requirements of small scale industries in particular.

In recent years there has been a large increase in the output of spare parts for various industries. Many of these have, therefore, been banned for import. All the same there is a considerable volume of industrial, earthmoving, construction and other equipment which may not be fully utilised because of lack of adequate spare parts, which are not made in the country. It is, therefore, proposed to license freely both to actual users and traders the import from the U.S.A. of a wide range of spare parts other than those whose import is banned. The quotas for established importers from other sources are also being raised.

An announcement on the liebralisation of imports of certain essential drugs and books was made on the June 15. It has now been decided to liberalise further the imports of certain of these items through the trade. The established importer quota for books is being raised and provision is being made for the free issue of supplementary licences for technical books and scientific books. Importers of books will be required to charge not more than the regular retail price expressed in rupees at the official rate of exchange and this is being made a condition of import. Established importer quotas for drugs are also being increased.

These measures which may be supplemented hereafter should help to increase agricultural and industrial production. It will be observed that there will be no liebralisation in the import of their capital goods or of less essential consumer goods."

3.95. The Committee note that Government have drawn up a list of 59 priority industries which have been issued their full import requirements. Since the intention behind liberalising the policy of imports in respect of these industries was to secure higher levels of production and encourage utilisation of their full production capacity, the Committee would emphasise that careful watch should be kept of the progress actually made by these industries in achieving the production targets.

K. Reference of Licensing Applications from Private Sector to Public Sector

3.96. A number of non-official organisations have represented to the Committee regarding the practice of referring the industrial licensing applications from private sector projects to the public sector projects before giving licences. In this connection, the following facts are particularly mentioned:—

3.97. An association representing the textile machinery manufacturers have stated in their memorandum to the Committee that "The Government of India in the Ministry of Industry which has authority under the Industries (Development and Regulation) Act, 1951, has very strange practice of referring applications of private sector projects to the public sector projects before giving licences. In many cases the Public Sector Projects have recommended that licences should not be given in spite of the fact that public sector projects would have taken 5|10 years to manufacture that product. This has resulted in larger imports and hampered import substitution. This is a practice which the Government should give up. It is not fair to refer the applications to a competing firm. This should be the principle of democracy and Government should not indulge into this kind of unfair practice."

3.98. Another manufacturers' organisation has represented that "The development of industries in private sector is hampered in some cases by the practice of referring applications of private sector projects to the public sector projects before giving licence. There are cases where the public sector projects have recommended that licences should not be given in spite of the fact that the public sector projects would take 5—10 years to manufacture that product. This has resulted in larger imports and hampered import substitution.

Since competition has to be encouraged and this only can bring about reduction in cost, private sector must not be refused a licence even if public sector is producing an item much less if it intends to do in some distant future."

3.99. The following instances have been brought to the notice of the Committee as illustrations of the point that applications for industrial licences have been rejected on the ground that the manufacture of the product will be taken up in the public sector:

1. Stainless Steel, Alloy Steel, Ophthalmic glass, Large compressors and pumps, Industrial instruments, Large transformers and turbine.

2. Ammonium Chloride and Liquid Ammonia.

3.100. The reconstituted Industries Development Procedures Committee has also referred in its report (1966) to the rejection of applications from private sector units in cases where the establishment of a public sector unit is contemplated. The Committee says:

> "A number of instances have been brought to the notice of the Committee where applications from entrepreneurs in the private sector have been rejected because a public sector unit is contemplated to be set up, even though the public sector unit is expected to come into production only some years later and is likely, at any rate, to reach full production in range and quantity only after several years. The Committee appreciates the need for caution in this regard, but would recall that while waiting for the large public sector project to reach full production the country may be compelled to rely on import thus accentuating, at least over the short term, the already serious problem of external resources."

3.101. The Industries Development Procedures Committee has, therefore, recommended that "the possibility of a public sector unit coming into existence in the distant future should not ordinarily be a ground for rejecting other applications for licences where these units can be expected to come into production earlier and save foreign exchange."

3.102. Asked during evidence whether it was correct that the applications for industrial licensing from private sector were referred to the public sector units, the Secretary of the Ministry of Industry stated that "It is only with the special purpose of finding out whether a public sector unit is going to establish a certain capacity or not. We may want to know what that capacity is in order to decide whether the private sector unit will be allowed to come up. Then certain details are asked for in a public sector unit in connection with an application which is pending before us from private sec-

tor." When his attention was drawn to the observations of the Industries Development Procedures Committee about the rejection of the applications from the private sector, the reprsentative of the Ministry stated that "there is nothing wrong in rejecting an application either from the private sector or other sectors if we know that some other project in some sector is coming up with some capacity in a reasonably short time. This comes under regulation. This is to avoid duplication."

3.103. In a written note furnished to the Committee subsequently, the position has been clarified as under:

> "Applications for industrial licences received from private sector are not referred to public sector units. However in order to avoid creation of surplus capacity|overlapping in the manufacturing programme of the units in the private and public sectors, it becomes necessary in some cases to consult public sector units to ascertain whether their programme of production would cover any of the items proposed to be manufactured by the private sector. For example in the Machine Tool Industry, almost half of the total capacity is in the public sector and in the case of some items of general purpose machines, tools, sufficient capacity has already been created|sponsored to take care of the foreseeable demand."

3.104. The Ministry have further informed the Committee that the number of applications for industrial licences turned down on account of public sector units proposing to manufacture items in question availability of capacity in public sector during 1964 to 1966 is 14.

3.105. The Committee desired to know the following information in respect of each of the applications rejected:

> "(i) Date of receipt of application and the probable date of commissioning of the plant; as mentioned in the application.
>
> (ii) Date of rejection of the application;
>
> (iii) Date of grant of licence for the setting up a similar plant in the public sector and the date it actually went into production."

The Ministry of Industry could not furnish the above information and informed the Committee that "Information in this form has not been compiled and its compilation now is likely to prove time consuming."

3.106. The Committee agree with the observations made by the Swaminathan Committee that "the possibility of a public sector coming into existence in the distant future should not ordinarily be a ground for rejecting other applications for licences where these units can be expected to come into production earlier and save foreign exchange."

The Committee would also like to stress that where an industry has been reserved for licensing in the public sector every effort should be made to establish the manufacturing capacity without delay so as to obviate imports and the consequent strain on the scarce foreign exchange resources.

L. Transfer/Sale of Licences

3.107. A manufacturers' association has alleged that "By and large, the authority under the Industries (Development and Regulation) Act, 1951 has functioned for the implementation of Industrial Policy Resolution with certain deviations when the circumstances demanded according to the Government.

It is not always that the person entitled to have a licence has got a licence. This has resulted in sale of industrial licences which is an unfair practice. The authorities, by and large, have failed while issuing industrial licences to scrutinise the ability of the promotor to float a company. His resources have also not been given a careful secrutiny. This has resulted in the licensed capacity not coming into production as well as cancellation of licences and preventing and blocking the genuine entrepreneur from receiving industrial licences."

3.108. Another non-official organisation has complained that "It is often seen that while recommending the granting of industrial licenses the State Governments have often given greater weightage to the political pressures or pulls brought upon them thereby deviating from the merit to these pulls which more than often resulted in granting of industrial licences to those who have any prior experience of the industries."

3.109. An engineering association in their Memorandum submitted to the Committee has stated that "if Government does take on the responsibility of limiting industrial licences to its own estimate of present and future market trends, it is assuming that the parties to whom licences have already been granted are genuine parties (and not merely agents for established manufacturers) who are only interested in locking out or delaying the entry of competitors and also that the licensees have the necessary managerial ability, financial stability, technical know-how etc. to justify the grant of a privilege share of the domestic market. Otherwise it is difficult to justify any subsequent refusal to issue (or delay in issuing) a license to any other party who may be genuinely interested in

manufacture and perhaps potentially more efficient than those who happened to be first in the queue for licences."

3.110. During the course of evidence in October 1966 the Secretary of the Ministry of Industrial Development and Company Affairs clarified the position as under:—

(i) "It is rather difficult to establish whether somebody took out a licence merely with a view to block others; that might be an inference."

(ii) "Sale of licences as such may not come to our notice. Applications for transfer from one licencee to another has come to our notice."

(iii) About the genuineness of the parties who had applied for licences "no specific check as such is exercised. If somebody reports to us that so and so is merely acting as an agent, we take notice of that fact but we do not go out of our way to find this out."

(iv) About the question of taking into consideration the managerial ability of the entrepreneur "we make a distinction between large investments and comparatively small investments of, say, Rs. 40 or 50 lakhs. In a large industry possibly these factors like managerial ability would be taken into consideration. But in the case of comparatively small investment I do not think we go into these details."

3.111. The Committee desired to know the number of applications received and sanctioned during each year of the Third Five Year Plan, for transfer of industrial licences. The reply furnished by the Ministry of Industrial Development and Company Affairs is reproduced below:—

"Government have not received any specific complaint regarding transfer of industrial licences for monetary considerations. The Industries (Development and Regulation) Act, 1951, or the Registration and Licensing of Industrial Undertakings Rules, 1952, framed under the Act, do not provide for transfer of licences issued under the Act, whether they relate to licences for 'new undertakings' or for 'new articles' or for "substantial expansion". The Rules, however, provide for the recognition of changes in the name or ownership of industrial undertakings which have been established as distinct from schemes which have been licensed but not implemented.

It may, however, be mentioned that administrative approvals are given whereby a licensee may be allowed

to associate fresh entrepreneurial talent or financial resources for the better and speedy implementation of the project. Whenever such requests for change of ownership of undertakings not yet established are received, they are examined at a sufficiently high level in the Ministry and care is taken to see how far the request is bonafide. One of the basic criteria adopted, before giving these approvals, is that the original applicant should continue to be substantially associated in the implimentation of the licence. In these cases there deemed to be no transfer of ownership in entirety. This Ministry are not aware whether in such cases any improper monetary considerations have been involved."

3.112. During the course of discussion on Dr. Hazari's Report on Industrial Planning and Licensing Policy in Rajya Sabha on the 31st May, 1967, the Minister of Industrial Development and Company Affairs referred to transfer of industrial licences and stated that "it is possible that to-day the Licensing Committee may give a licence to 'A' who may have nothing to do with Birla, or Tata or any other company, but after that 'A' has implemented all the requirements of that licence or has set up a particular industry, what is there to prevent Birla or Tata from purchasing that industry? Therefore in many of the cases when you find that the companies multiply, it may not be because of the defect in the licensing system or because of any illegality committed by our officers in giving licences but because of this inherent defect in our system and because of our inability to control such kind of lapses on the part of those who are getting licences, who are not able to carry on and then ultimately they are purchased by other big persons. These are matters which we have to take into consideration."

3.113. The Committee recommend that close watch should be kept on the sale/transfer of licences and requests for association of fresh partnership (entrepreneurial talent or financial resources) by the original licensee so as to prevent monopolistic growth and concentration of economic power in the hands of a few industrialists. The Committee suggest that the previous record of performance of the entrepreneur should be taken into account at the time of approval of application for grant of licence. Amongst other factors the Licensing Committee should carefully examine whether the applicant is genuinely interested in setting up the industry and not merely acting as agent for others.

M. Concentration and Monopoly of Licences

3.114. It has been represented to the Committee by a chamber of commerce that "the restrictions imposed by the Industrial Licens-

ing Control have tended to promote a protectionist attitude, have helped to create monopolies or semi-monopolies of production and have seriously interfered with the free play of competition and the control has consequently been an important factor in the development of a high cost economy in India."

3.115. The Monopolies Inquiry Commission (1965) has considered the system of industrial licensing "a formidable obstacle in the way of new entrepreneurs freely entering the lists" and has observed further that "For numerous reasons big business was at an advantage in securing licenses for starting new industries or for expanding the existing capacity. In the first place, big businessmen were in a better position to raise the large amounts of capital required for modern plants in most industries. The risk therefore the licence remaining unutilised was less in their case, than in the case of smaller businessmen. Secondly, as one leading industrialist put it"... only the already successful are able to some extent to expand and proliferate; in a developing economy such as ours, success must be the principal consideration". Licensing authorities were naturally inclined to prefer men who have proved their ability by success in big industrial ventures in the past to men who had still to establish their ability.

The third reason why big businessmen according to the Commission succeeded in getting new licenses was "their ability to secure foreign collaboration".

3.116. The Commission has mentioned the number of applications made, licences granted and not granted to the bigger groups as against the smaller ones, as under:

> "The percentage of licences issued to those aplied for, works out at 71.6 per cent. for big business and 65.1 per cent for the rest; the percentage of applications rejected works out at 28.4 per cent for big business and 34.9 per cent for the rest."

3.117. As regards the evil effects of concentrated economic power, the Commission has observed as under:

> "This bright picture of what concentrated economic power has achieved in the past and is fairly certain to achieve in the future must not however make us blind to certain evil effects of such power on the country's economy. The most serious of these is the risk of emergence of monopoly with its attendant evils—high prices for the consumer, deterioration in quality, and last, but not the least, keeping out the small industrialists. 'Big business'

by its very 'bigness' sometimes succeeds in keeping out competitors. It can do so as by reason of its financial strength, it can afford to sell for sometime at an unremunerative price with the definite object of eliminating existing competition or discouraging potential competition and because of its fighting strength by large scale efficient advertising."

3.118. The Commission has further observed that:

"We think also that the very presence of 'big business' in an industry is likely to have a deterrent effect on the entry of smaller units, even in industries without any special scope for economies of scale. For, it would be wrong to underrate the small man's fear that the big business in the industry will be able to crush him."

3.119. Dr. R. K. Hazari, Professor of Industrial Economics, University of Bombay, who was appointed an Honorary Consultant in the Planning Commission in July, 1966 to conduct a study of licensing under the Industries Development and Regulation Act, 1951, in his interim report submitted to the Planning Commission in January 1967 has outlined the defects in the licensing system. The report according to him though suffers from "severe limitations" due to data being "partial, incomplete and in some cases not fully reliable" refers in particular to licences issued to Birla Group. He has made "a separate compilation of Birla applications and approvals from 1957 to June, 1966." It has been stated in the report that "the Birlas made 938 applications during this period, inclusive of multiple counting of applications considered more than once. Of these 938, data on proposed investment are available for 472 applications only. The investment proposed under those 472 applications amounted to Rs. 496 crores: with an import component of Rs. 313 crores. Another 28 applications for which only the import component is available made an indent of Rs. 43 crores on foreign exchange. The Licensing Committee granted approval for 375 applications, of which investment data was available for 240. These 240 applications, involved an investment of Rs. 246 crores with an import component of Rs. 159 crores. If, on a rough and crude basis, these investment data are boosted pro rata for all the 375 applications approved, the total investment and its import component of would be Rs. 384 crores and Rs. 2.48 crores respectively."

3.120. The report says—

"The pace of Birla advance was moderate in 1957 and 1958, considering that it was the second largest group in size and already had the largest number of companies, more

than 300. The build-up of momentum started in 1959 and the break-through came in 1960. There has been no looking back since then. Over these 9½ years, the Birlas applied for 228 new articles, 267 substantial expansions and 443 new undertakings (all gross of some multiple counting) and received approvals for 102, 149 and 124 respectively."

3.121. Dr. Hazari says that "the recent general slack in investment or passimism in expectations has not affected the Birlas, rather the country". It has been further stated that "during the 2½ years. 1964—June 1966, they put in 325 applications for industrial licences of which 132 proposed an investment of Rs. 180 crores. Approval was received for 130, of which 85 accounted for an investment of Rs. 102 crores, with an import component of Rs. 57 crores."

3.122. According to the report "the large number of Birla proposals are diffused over the entire industrial structure. Except basic steel and power generation, almost every kind of industrial product is covered in the Birla perspective plan. There is evidence of interest in new and repidly growing industries particularly aluminium, electrical goods, chemicals, cement, man-made fibres and yarn, heavy engineering, alloy steel, pig iron, tools, timber products, newsprint and pipes and tubes but traditional industries like cotton, sugar, vanaspati and paper are by no means ignored."

3.123. About the areas of their interest, the report says that "while West Bengal and Maharashtra continue to be their prime location, they have ventured on a large scale in recent years into Madhya Pradesh, Andhra, Rajasthan, U.P. and Gujarat and are also developing interest in Assam, Madras, Kerala, Punjab, Orissa and Bihar. There is one project in Kashmir and the blank on the Birla map in Mysore has been filled up of late by the acquisition of a cement company and a machine tool company. This performance of Birlas is stated to be 'unrivalled'. It has been stated that to what extent it actually blocks the entry of others existing or patential entrepreneurs and thereby shuts up competition is an open question which cannot be answered straightaway on the basis of data on hand." According to Dr. Hazari it is, "legitimate to infer that Birla enterprise, justifiable or not in terms of ultimate performance does tend to 'pre-empt licensable capacity in many industries." The report further says—

"Enterprise plus imaginative understanding of licensing formalities, thus, enable the Birlas to foreclose the market. Astute management turns this process into high and quick

returns on investment, which earns foreclosure of economic resources generally, and helps magnify the halo round the House of Birlas".

3.124. Emphasising the liberalisation of industrial policy, the Monopolies Inquiry Commission have stated in their Report that "Much more, we think, can be done, to make it easy for the comparatively smaller entrepreneur to get industrial and import licences without undue expenses and wateful delay. Many of the leading industrialists, we understand, have found it necessary to maintain expensive establishments in the capital for facilitating the obtaining of licences. Those who cannot afford the expenses of running such establishments which include sometimes, it seems, large amounts required to employ high paid "contactmen" and to give lavish parties—are at a disadvantage." In a note furnished to the Committee, the Ministry of Industrial Development and Company Affairs have clarified the position as under:

> "Government are not aware of any specific instances in which the interests of smaller entrepreneurs to get industrial licences and import licences have suffered in relation to large industrial houses who maintain expensive establishments in the capital. Government have already liberalised industrial policy as a result of which entrepreneurs proposing to set up industrial undertakings with fixed assets not exceeding Rs. 25 lakhs would not require an industrial licence. A number of industries have been excepted from the licencsing provisions of the Industries (Development and Regulation) Act."

3.125. The Committee are concerned to note the shortcomings brought out in the industrial licensing system by Dr. Hazari in his interim report on Industrial Planning and Licensing Policy submitted to Government. In particular they note that one big industrial house was able to submit multiple applications for each product which tended to build pressure and pre-empt licensable capacity in many industries and that many applications from this particular group were by trading and/or finance companies which had small assets to show against the licences issued to them. The Committee would urge that Government should examine very carefully the result of study made by Dr. Hazari and take remedial measures to arrest the unhealthy trends mentioned above and to ensure that industrial power does not concentrate in a few hands to the detriment of the general interest of the economy and the consumer.

N. Exemptions from Licensing Provision

3.126. Under Section 29(b) of the Industries (Development and Regulation) Act, 1951, the Central Government may exempt any industrial undertaking or scheduled industry or a class of scheduled industries from the operation of all or any of the sections of the Act.

3.127. The reconstituted Industries Development Procedures Committee (1965) has observed that "under the existing procedures, a very large volume of work is thrown on the Licensing Committee. The Committee feels that one of the ways through which delays can be reduced to the minimum would be by reducing the load of work on the Directorate General of Technical Development and on the Licensing Committee. In the view of the Committee this could be achieved *inter alia* by relaxing controls to the maximum possible extent, retaining only those which are essential for the implementation of plans and policies. Having regard to this consideration, although the Committee is aware that the relaxation of controls is not strictly and directly included in the terms of reference, it has given detailed consideration to this aspect of the reduction or elimination of delays. It has come to the conclusion that generally speaking, industries which do not involve the import of capital goods or raw materials should be exempted from the licensing provisions of the Act by the issue of an exemption notification under Section 29-B of the Industries (Development and Regulation) Act. It should, by and large, be left to the economic judgement of the entrepreneur to decide whether or not he will enter these fields and make an investment and to what extent. In these fields the targets laid down by the Planning Commission would serve as indicative targets and as a factor to be considered by the prospective investor in his assessment of demand and other economic data."

3.128. As an illustrative list, the Industries Development Procedures Committee suggested the following items for decontrol :

1. Textiles—Cotton
2. Sugar
3. Cement
4. Paper & Newsprint
5. Toilet preparations
6. Fire bricks
7. Hand tools
8. Plywood
9. Furniture components
10. Milk foods.

The above Committee has further stated that "the list for decontrol (as given above) is only an illustrative one. In selecting and omitting the industries to be recommended for decontrol, the Committee has taken account of the position that the licensing of industries under the Industries (Development and Regulation) Act is used and is intended to be used as an instrument for promoting and giving a measure of protection to the small-scale sector and to the co-operative sector in certain fields. The Committee recommends that Government should consider from time to time additions or alterations to this list in the light of the general considerations mentioned earlier in this sub-paragraph (viz. reducing the burden on the D.G.T.D. and the Licensing Committee by giving free scope to the judgment of the entrepreneur where possible)."

3.129. The Minister of Industrial Development and Company Affairs on the 9th May 1966 made a statement in Rajya Sabha on 'Liberalisation of Industrial Licensing Policy' and during that statement he announced the exemption of 11 industries from the licensing provisions of the Industries. The text of the statement is reproduced below:—

"As the House is aware, both in this House and outside leaders of public opinion belonging not only to the Congress party but also to some other parties, have from time to time, suggested the need for a review of the continuance of various controls in the economic field. The Prime Minister has also on more than one occasion, recently reiterated Government's policy that controls would be maintained only where it is necessary in the public interest to do so. Government have been therefore keeping under review the various controls in existence.

As regards the specific control relating to the licensing of industries under the Industries (Development and Regulation) Act, 1951, over the past two years Government have announced some relaxations. All industries with fixed assets not exceeding Rs. 25 lakhs were exempted from the licensing provisions of the Act in 1964. Some relaxations regarding diversification of production by manufacture of 'new articles' by existing units and relating to 'substantial expansion' of the licensed capacity in cases not involving any foreign exchange expenditure were announced last year. The possibility of making further relaxations has been under Government's consideration for some time.

Though efforts have been made to streamline the licensing procedures, it cannot be denied that the system of licensing inevitably involves some delay. Some speeding up in the establishment of capacities can be expected in industries in respect of which it is practicable to eliminate the licensing requirements. In the pre-

sent context of somewhat sluggish investment by the private sector, it is important that all legitimate encouragement should be given to the speedy setting up further capacity, particularly in priority fields. It has accordingly been decided that the industries specified below should be exempted from the licensing provisions of the Industries (Development and Regulation) Act:—

Sl. No.	Industry	Scheduled Ind. Nos
1	Iron & Steel castings and forgings.	1.A (3)
2	Iron and Steel Structurals	A.A(4)
3	Electric motors (not exceeding 10 Horse Power)	5(2)
4	Pulp—Wood pulp—mechanical, chemicals, including dissolving pulp.	24(5)
5	Power Alcohol	26(1)
6	Solvent extracted oils	28(1)
7	Glue and gelatine	32
8	Glass—othr than hollow ware	33(2), (3), (4), (5) & (6).
9	*Ceramics* :	
	Fire bricks.	34(1)
	Furnace lining bricks	34(3)
10	*Cement and Gypsum products* :	
	Portland cement	35(1)
	Insulating boards	35(3)
	Gypsum boards, wall boards and the line	35(4)
11	*Timber Products* :	
	Plywood	36(1)

Two basic considerations which have been kept in view in the preparation of this list are:—

(i) The items are those in respect of which there is no substantial import of components or raw materials.

(ii) Industries in respect of which protection to the small and cottage industries is of importance have been left out.

The above list is by no means exhaustive. It is proposed to examine the schedule to the Industries (Development and Regulation) Act with a view to announcing further additions to this list from time to time. Apart from the two considerations mentioned in para 4 above, an additional factor which will be taken into

account in preparing further lists will be the need for the accelerated development of industries with export potential.

It is proposed to exempt the industries listed in para 3 only from the licensing provisions of the Industries (Development and Regulation) Act. It will no longer be necessary for any of these industries to apply for industrial licences. These industries will, however, continue to be included in the schedule to the Act and the powers conferred on the Central Government under the remaining provisions of the Act will continue to be operative. In particular, for purely statistical purposes, the industries will be required to register themselves with the Directorate General of Technical Development.

In conclusion, I would like to make it clear that the exemption from the licensing requirements now announced is on an experimental basis. It is proposed to review the effects of this decontrol after a year or two and to take this review into account in the further formulation of policy."

3.130. It will be seen from the above that out of the 10 industries specifically mentioned for decontrol by the Industries Development Procedures Committee the following industries, *viz.*:—

1. Textiles cotton
2. Sugar
3. Toilet preparations
4. Furniture components (timber production)
5. Milk foods

were not covered by the statement made by the Minister of Industrial Development and Company Affairs on the 9th May 1966. The reasons for this were stated by the representative of the Ministry of Industrial Development and Company Affairs during the course of evidence in October 1966 as under:—

> "So far as cotton textiles are concerned, the matter is still under consideration; no final decision has yet been taken. So far as sugar is concerned, the main reason for not agreeing to the recommendation of the Swaminathan Committee was the ground that so long as the existing controls in price and distribution of sugar remained, it would probably not be in the fitness of things to do it straightway; that was the view held. So far as toilet preparations are concerned, they are not particularly a priority item and it was thought that there was no purpose in allowing decontrol in a field in which we may not want substantial quantity to be added. So far as furni-

ture components are concerned, they are minor items and it was not thought important enough for being delicensed. So far as milk food is concerned, in view of the importance of proper quality standards in this, it was not delicensed."

3.131. In Government Resolution dated the 7th July, 1966, two more industries, namely, paper and newsprint and hand tools were 'decontrolled'. On 14th November, 1966, 29 more industries were exempted from the licensing provisions of the Act. The main consideration for selecting these industries were—

(i) Industries not involving substantial import of components or raw materials;

(ii) Industries which did not hamper the growth of the small and cottage industries; and

(iii) Industries having an export potential.

3.132. A list of industries exempted so far from the provisions of the Industries (Development and Regulation) Act, 1951, is at Appendix X.

3.133. The Committee welcome the exemptions/relaxations granted by Government from the Industries (Development and Regulation) Act, 1951 in pursuance of the recommendations of the Industries Development Procedures Committee (1965). The Committee suggest that Government may review the position in the light of experience gained of working of these industries, after the grant of exemption/relaxation from the provisions of the Industries (Development and Regulation) Act, 1951 and decide what further relaxations/exemptions can be granted in order to give fuller play to economic forces in the industrial field.

O. Letters of Intent

Definition

3.134. The Industries Development Procedures Committee (Swaminathan Committee) in their Interim Report submitted to Government on 17th December, 1963 have *inter alia* stated that in the Committee's view, it is matter of utmost importance that the applicants should know as early as possible whether Government would be prepared to consider favourably the proposal put forward by them. It will be difficult for the enterpreneurs to negotiate with foreign collaborators or suppliers of machinery without such an indication from the Government. The Committee, therefore, favour a speedy procedure under which a 'letter of intent' can be issued within a month or so of the date of receipt of the appli-

cations. The new procedure of industrial licensing brought about as a result of the recommendations of the above Committee has given formal recognition to what is called the 'letter of intent.' The letter of intent is to be issued within a month or so of the date of application in respect of cases where licences cannot be issued straightway but where Government see no objection, in principle, to the grant of a licence at a later date for the establishment of the undertaking. The letter of intent broadly indicates the conditions subject to which the Government would be prepared to consider the grant of a licence and also specifies a definite period varying from 6 to 12 months, depending on the nature of the industry, within which the applicant should come up with definite proposals regarding:

(i) terms of foreign collaboration, if envisaged;

(ii) import of capital equipment, if involved, and

(iii) issue of capital

3.135. Asked during evidence whether the information asked for in connection with the letter of intent was, more or less, the same as in the case of industrial licence, the representative of the Ministry stated that "Except that four or five columns are deleted. Four or five detailed enquiries which are prescribed for the other one are not there." In reply to another question, he stated that the letter of intent procedure had certainly resulted, to some extent, in speeding up of the initial clearance."

3.136. Asked further whether it was not a fact that enterpreneurs incurred expenditure in preliminary preparations on receipt of leters of intent which sometimes became infructuous when the licences were not issued to them, the representative of the Ministry stated that "they do take some action; they require some land they go abroad and talk to people and then in the end, nothing very much happens. They seem to lose interest. It is very difficult for us to know how much they have spent."

Simultaneous Follow-up Action after issue of Letter of Intent.

3.137. An eminent industrialist has represented to the Committee that "Unless a way is found to deal simultaneously with all the important licences and sanctions required, and unless a strong Co-ordinating Cell is established in the Ministry of Industry to chase up subsequent matters with the different Government Ministries, it is difficult to see how substantial procedural delays can be averted." The industrialist has recalled that "the interim report of the Swaminathan Committee had recommended such simultaneously follow-up action after the issue of the Letter of Intent to 'key' industries one month from the date of application. It is a matter

of regret, and of further study, why such simultaneous action procedures have not succeded..."

3.138. The Ministry of Industrial Development and Company Affairs have clarified the position in the following written note furnished to the Committee:—

"The Industries Development Committee (Swaminathan's Committee), constituted in September, 1963, recommended that, in case of "key industries" for which letters of intent have been issued, a special procedure should be devolved for dealing simultaneously with all other clearances such as approval foreign collaboration terms, approval to issue of Capital and issue of Import Licences. To facilitate such simultaneous clearances, the entrepreneurs were required to submit simultaneously applications for all clearances.

The Industries Development Procedures Committee (Swaminathan's Committee), reconstituted in August, 1965 reviewed the working of the revised procedures and observed that the special procedure for simultaneous clearances has not worked in the manner envisaged and has not proved practicable in implementation. The Committee, therefore, recommended that any special stress need not be laid on applications being made or considered simultaneously and that, instead, an application for any clearances should be considered as and when received."

Time-lag between Letter of Intent and Licence.

3.139. The Committee desired to know the normay time-lag between the issue of Letter of Intent and the issue of a licence and the number of cases where licences were not issued even though the letters of intent had been issued. The Ministry if Industrial Development and Company Affairs in a written note furnished to the Committee have stated the position as under:—

"Licences have been issued, at the earliest, within a month after issue of letters of intent and there have also been time-lag of over one year between dates of issue of letters of intent and dates of issue of licences.

Although 369 letters of intent have been issued in cases of applications received during 1964 (from 19th February, 1964), that is, the date of centralisation of receipt of applications to 31st December, 1964), licences have not been issued, as on 31st October, 1966. in 311 cases. 317 Letters of intent have been issued in cases of applica-

tions during the year 1965; but the number of licences issued is 21 only as on 31st October, 1966."

Validity of Letter of Intent.

3.140. The Committee desired to know the following information regarding the validity of letters of intent:—

(i) the number and percentage of cases where letters of intent were valid for a period of 6 months but less than 9 months, more than 9 months but less than 1 year and more than 1 year; and

(ii) the number and percentage of cases under each of these where the validity period had to be extended for another term.

3.141. The Ministry of Industrial Development and Company Affairs in a written note, have furnished the following information in this respect:—

"A time-limit of six months is normally stipulated in the letters of intent for fulfilment of certain conditions, such as, submission of applications for licences for import of capital goods and draft of terms of foreign collaboration. A letter of intent is treated as lapsed if the enterpreneur fails to comply with the conditions and does not also seek extension of time-limit. Requests for extension of time-limit are carefully considered and acceded to in cases where enterpreneurs have progressed action and are likely to comply with the conditions and does not also seek extension of time-limit. Requests for extension of time-limit are carefully considered and acceded to in cases where entrepreneurs have progressed action and are likely to comply with the conditions. In cases where entrepreneurs have not taken action and the lapse is without reasonable cause, the letters of intent are cancelled."

3.142. The Ministry have further stated that "A study confined to cases of applications received, for licences, during the year 1964 (that is, from 13th February, 1964—the date from when the receipt of applications has been centralised upto 31st December, 1964 revealed that out of 369 cases in which letters of intent have been issued, licences have subsequently been issued in 58 cases as on 31st October, 1966. The time lag entailed is not more than 9 months in 13 cases, and over one year in 18 cases. 31 letters of

intent have been cancelled, 5 after expiry of 6 months; 13 after expiry of 9 months; and 13 after expiry of one year. In respect of 275 letters of intent—183, over six months old; 18 over 9 months old and 74 over one year old, the cases are yet to be reviewed. 5 letters of intent are still valid, although over one year old. Including these 5 cases of letters of intent, the validity period had been extended for one or more terms in at least 304 cases of letters of intent."

3.143 The Minister of Industrial Development and Company Affairs during the course of discussion on Dr. Hazari's Interim Report on Industrial Planning and Licensing Policy in Rajya Sabha on the 29th May 1967 admitted that "The procedure, however, has not fully achieved the intended improvement since in practice extensions of letters of intent have been given rather liberally to both the large business groups and to others. Such extensions were given mainly because the parties did take some effective action, though not all, during the period of currency of the letter of intent and cancellations would mean in many cases delay due to fresh approvals being given to new parties."

3.144 The Committee are constrained to note that out of 686 cases where letters of intent were issued since February 1964, industrial licences were issued substantially subsequently in no more than 79 cases, by 31st October, 1966. They further note that out of 369 letters of intent issued in 1964 Government had yet to review cases in respect of 275 letters of intent—183 over six months old, 18 over nine months old and 74 over one year old. The Committee are further concerned to note that out of the 369 letters of intent issued in 1964 the validity period had been extended for one or more terms in at least 304 cases. The Committee need hardly stress that if Government do not follow up cases or are too liberal in extending the validity period, after issue of letters of intent, the central idea underlying the procedure would get defeated and it would be difficult to dispel the impression that Government machinery lacks the will to enforce its own decisions strictly. The Committee suggest that where a letter of intent is not followed up by suitable concrete steps to obtain licence or finalise collaboration agreement etc. there should be provision for automatic lapsing so that the capacity for the industry does not unnecessarily remain blocked. Government, may, however, permit sufficient time in the very first instance in cases where the complexity of the industry so demands.

P. Revocation of Licences

3.145 Sesction 12 of the Industries (Developmnt & Regulation) Act, 1951 provides that "if the Central Government is satisfied,

either on a reference made to it in this behalf or otherwise, that any person or authority, to whom or to which, a licence has been issued under section 11, has, without reasonable cause, failed to establish or to take effective steps to establish the new industrial undertaking in respect of which the licence has been issued within the time specified therefor or within such extended time as the Central Government may think fit to grant in any case, it may revoke the licence."

3.146. A statement showing the number of licences revoked since 1952 scheduled-industry-wish, and with indication as to break-up of the years of issue of the (revoked) licences, upto the 31st March, 1966, is given in Appendix XI. The year-wise break-up is indicated below:—

1952	2
1953	42
1954	47
1955	74
1956	88
1957	103
1958	33
1959	125
1960	358
1961	245
1962	177
1963	72
1964	46
1965	2
TOTAL . . .	1414

It will be seen from the above table that a large number of licences were revoked in 1957, 1959, 1960, 1961 and 1962. The Ministry of Industrial Development and Company Affairs were asked to state reasons for these revocations and the information furnished by them is reproduced below:—

"243 licences were revoked during the year 1962 for one or other of the following reasons:—

(i) failure to raise rupee finance;

(ii) failure to construct a substantial part of factory building;

(iii) failure to place firm orders for substantial part of plant and machinery.

48 licences were revoked during the year 1962 for non-implementation of the licences i.e. reasons which may

include failure to finalise technical details of projects, for failure to finalise terms of foreign collaboration, etc."

3.147. Generally at the time of issue of industrial licences, undertakings are given a time limit of 6 months for taking 'effective steps' and a time limit of one year for establishment of the undertaking' from the date of issue of the industrial licence but this period stipulated is dependent on an assessment of the normal time required in respect of each industry. "Of the licences issued for new industrial undertakings during the period upto 31st March, 1964 the number of licences revoked before the lapse of one year is 138, number of licences revoked after one year and before two years is 248 and after over two years is 300."

3.148. As to the steps taken by the Ministry to ensure that the number of revocations are kept to the minimum and that the industries are set up within the specified time, it has been stated that "In accordance with the recommendation of the Industries Development Procedures Committee (Swaminathan's Committee), letters of intent are now generally issued in respect of schemes approved by Government and licences are issued after the entrepreneurs have complied with the conditions in the letters of intent (such as submission of applications for consent to 'Issue of Capital and for licences for import of Capital Goods). In effect, licences are issued after ensuring fair chance of implementation of projects, and, as a result the numbers of revocation of licences are bound to be few. There may however be correspondingly larger numbers of letters of intent."

Automatic Revocation of Licence

3.149. A machinery manufactures' association has suggested that "It should be the duty of the authority that wherever no substantial steps have been taken to put up the project for a period of 24 months, the licence should automatically be revoked or new licences to new persons be given with assurance that the capacity shall be put up within a stipulated period provided all assistance from the Government is given in the matter of Capital Goods as well as raw materials. The condition that the industrial licence does not guarantee import of capital goods and other raw materials should be done away with. This can be done by phasing the issuance of industrial licences during each year of the Fourth Five Year Plan. The phasing should be done according to the available foreign exchange resources. The net result of such a policy will be that the capacity to be installed will become productive on schedule and add to the national wealth. Today, projects are half-finished thereby leaving a large amount of capital invested idle and unproductive which in itself is a national loss."

2.50. The representative of the Ministry stated during evidence that "It all depends on what is meant by 'substantial steps'. If for instance, foreign exchange has not been found during the period, the negotiations have been carried on with the World Bank and the other authorities, then you cannot say that substantial steps have not been taken, although the industry may not actually have been set up. Sometimes these foreign exchange negotiations take a great deal of time. It is particularly so with foreign exchange negotiations." He added that besides foreign exchange negotiations, "if the party fails to take any steps, it is his fault that he does nothing. We will certainly cancel the licence". The Study Team on D.G.T.D. has recommended that "There should be a provision for automatic revocation of a licence if "effective step" is not taken within the prescribed time-limit or the applicant does not apply for an extension of this time-limit in time."

3.151. It would be recalled that the Committee on the Prevention of Corruption (Santhanam Committee) had made the following recommendations in 1965:

"Licencee should be required to adhere to a time schedule for fulfilling the conditions of the licence. Unless the entrepreneur can show that the implementation of the scheme was delayed by causes beyond his control, prompt steps should be taken for cancellation of the licences."

3.152. The Committee have already commented at length in para 3.144 on the need for follow-up action after the issue of letters of intent. They cannot too strongly stress the need for keeping a watch on the effective steps taken by the applicant to set up the industry and establish production in accordance with the time schedule laid down in the industrial licence.

The Committee would also like Government to consider the suggestion by the Study Team on D.G.T.D. that there should be provision for automatic revocation of licence if the licensee fails to take effective steps during the stipulated time to set up the industrial unit.

Q. Substantial Expansion of Industries

Definition

3.153. Under the provisions of Section 13(d) of the Industries (Development and Regulation) Act, 1951 no owner of an industrial undertaking is allowed to "effect any substantial expansion of an industrial undertaking which has been registered or in respect of which a licence or permission has been issued "except under and in

accordance with the previous permission of the Central Government". For the purposes of this section the following explanation has been given for 'substantial expansion':—

> "Substantial expansion means the expression of an existing industrial undertaking which substantially increases the productive capacity of the undertaking or which is of such a nature as to amount virtually to a new industrial undertaking, but does not include any such expansion as is normal to the undertaking having regard to its nature and the circumstances relating to such expansion".

3.154. A Chemical Manufacturers' Association has represented that "In the Industries Act the definition of substantial expansion has not been properly given and whatever definition is given therein is not at all specific and clear. It is apt to create confusion both for the applicant as well as for the Licensing Committee. Expansions to increase the existing capacities of plants by less than 10 per cent per year should not be considered as 'substantial expansion' ". It has been suggested that in the event, in any year, of a unit desiring to expand the production capacity by more than 10 per cent but not exceeding 20 per cent, the application may be made to Department concerned and generally this should be granted".

3.155. During the course of evidence in October, 1966, the Secretary of Ministry of Industrial Development and Company Affairs confirmed that "the Industries Act does not define positively what is substantial expansion. It does not really lay down in terms of percentage". About the percentage he stated that "upto 10 per cent we do not really treat as in any way substantial, because if expansion of production takes place upto about 10 per cent, we recognise it automatically". When asked to state after how many years the increase of 10 per cent was allowed, he stated that "There was no fixed period but if the the same entrepreneur comes along every alternate year for a 10 per cent increase that will be taken note of".

3.156. The Committee suggest that the term 'substantial expansion' as appearing in Section 13 of the Industries (Development and Regulation Act, may be clearly defined in terms of percentage so that a unit need only apply for permission, if its expansion programme is likely to cross the licenced capacity by more than the permissible percentage.

Increase in capacity by minor adjustments.

3.157. It has been suggested by an eminent industrialist that "No licence should be required under the Act if a manufacturer is able to increase his output by minor technical improvement to the major units of the plant or by utilising indigenous raw materials

and equipment without involving any foreign exchange, even if the production thereby exceeds the permitted capacity. For purposes of regularisation and record, it may be provided that such increase should be promptly brought to the notice of the Government Department concerned". The Ministry of Industry in a written note furnished to the Committee have clarified the position as under:—

> "Under the Industries (Development and Regulation) Act, 1951, licences are required for the establishment of new industrial undertakings, manufacture of 'new articles' and effecting 'substantial expansions' to registered or licensed undertakings, besides licences for carrying on business and for change of location. The terms 'new articles' and 'substantial expansions' have been defined in the Act. Increase of production by owners of registered/licensed industrial undertakings by minor technical improvement or by utilising indigenous raw material or components, does not fall in the category either of 'new articles' or 'substantial expansion' and consequently no licence under the Act is required..."

3.158. The Committee are happy to note that Government do not desire to restrict the increase in production in registered/licensed industrial undertakings by minor technical improvements or by utilisation of indigenous raw materials or components. They hope that the undertakings would make full use of this facility to increase production to meet growing demand for goods.

Licence for Entire Expansion Programme

3.159. It has been represented to the Committee by a leading industrialist that "Where expansion involves more than one stage, the practice of the Government has been to sanction only the first stage expansion without any assurance or guarantee that the subsequent expansion would follow automatically. The routes to two different stages of expansion, for technical reasons, cannot be identical though fundamentally the process is the same and unless the Government accord the company a letter of intent for entire expansion from first stage to last, it would be uneconomic to order out the equipment required for the expansion schemes in two different distinct stages". It has been suggested that "Where the expansion involves more than one stage, a letter of intent or licence should be issued for the entire expansion programme so that the industrial unit can take appropriate action to implement the entire expansion programme in an integrated and co-ordinated manner".

3.160. Expressing his views on the above suggestion, the Secretary of the Ministry of Industrial Development and Company Affairs

stated during evidence that "This has to be very carefully considered in each case because otherwise a man may book a lot of capacity and create monopoly. We have to cosider each case on merits and also consider what is the nature of the industry and the position of the industrialist".

3.161. It is well recognised that goods can be produced more economically by expansion of the existing units rather than by setting up new undertakings. Keeping in view the public demand for supply of goods at competitive prices, the Committee suggest that Government should earnestly consider the suggestion that the expansion programme submitted by established units, may be expeditiously considered and where found acceptable, letters of intent covering the entire expansion programme may be issued provided this does not encourage and create monopolies. Import licences for implementing the expansion programme may be regulated keeping in view the stage of expansion and the availability of foreign exchange.

Diversification of Production

3.162. Under Section 11-A of the Industries (Development and Regulation) Act, 1951 the owner of an industrial undertaking is not permitted to produce or manufacture any new article unless "he has obtained a licence for producing or manufacturing such new article."

3.163. It has been represented by an eminent industrialist that "though there is a liberalised procedure for the engineering industries and some selected chemical industries, entrepreneurs are often hampered in their efforts to diversify because there is a large number of industries included in what is called the 'banned list' for industrial licensing".

3.164. A leading chamber of commerce and industry have informed the Committee that the "existing industrial units have been hampered in their efforts to diversify production and, again therefore, have been precluded from deriving the fullest benefit from their skill and experience. It may be argued that these constraints on diversification have helped to prevent the building up of what are sometimes regarded as socially undesirable "business empires". The chamber consider, on the contrary, that they have hampered economic growth and prevented the fullest utilisation of existing assets and skills".

3.165. Another chamber of commerce in their Memorandum submitted to the Committee have stated that "industrial units in the engineering field were given freedom to diversify production through manufacture of new articles with existing plants and

machinery, provided no additional foreign exchange was required". It has been further stated that "The diversification of industries during the recent years has been prompted mainly to take advantage of the sheltered home market. Relaxation of licensing regulations has not been quite effective because of the conditions governing such diversification. These hurdles may be summed up as follows:—

(a) Non-eligibility to claim additional foreign exchange to support production of new articles;

(b) Restrictions imposed on production of items included in the 'banned' list even though there is a gap between production and actual demand;

(c) Reservation for the small scale sector without reference to capacity in existence;

(d) Maintenance of production to the level of capacity already licensed as a condition of diversification of existing engineering units;

(e) Refusal to register items of production initiated to meet the requirements of Government purchase departments;

(f) Holding up or rejecting applications for licensing or registration on the ground of public sector coming up in future;

(g) Delay in registration of new items or in renewal of licences previously issued even when supported by facts and circumstances explaining non-implementation of licences".

3.166. Asked if any relaxation had been given for encouraging the diversification of production of new articles, the Secretary of the Ministry of Industrial Development and Company Affairs stated during evidence on 5th October, 1966 that "so long as diversification of production does not entrench on the field reserved for small-scale industry and so long as the unit continues to manufacture substantially the article for which it is licensed, we are not very strict about permitting diversification. In other words, if they fulfil the above two conditions, they can produce a few other small items also and we do not stand in the way. We are fairly liberal in this matter and the question of further liberalisation in the matter of diversification is actively under consideration right now". Asked whether any special consideration is given to the request of an industrialist for production of new items in the same unit, the representative of the Ministry stated that "If he wants to manufacture article 'B' instead of article 'A' he is certainly allowed to manufacture it provided he does not cmpletely ignore article 'A' for which he had

already taken a licence. But if article 'B' is reserved for small-scale industry then we do not permit him to manufacture that article. These are the general restrictions".

3.167. The Minister of Industrial Development and Company Affairs in his opening address to the 18th meeting of the Central Advisory Council of Industries held on the 14th October, 1966 stated that "Government has also been giving thought to the question of further liberalising our Industrial Licensing Policy by allowing existing units to diversify their production by manufacturing 'new articles'. A proposal is under Government's active consideration to allow such units to diversify their production to some extent, on the basis of existing plant and machinery, provided further that diversification is not in respect of industries in which the small scale sector is substantially interested". Government notified on the 29th October 1966 that industrial undertakings both, in the engineering and non-engineering fields, will have the freedom to diversify production by the manufacture of 'new articles' without any licence under the Industries (Development and Regulation) Act, 1951 provided that:

(i) no additional plant and machinery is installed except minor balancing equipment procured indigenously;

(ii) no additional expenditure of foreign exchange is involved;

(iii) the number of quantity of new articles produced or manufactured do not exceed 25 per cent of the total production; and

(iv) the new article or articles to be produced or manufactured do not include any of the items specified in Appendix XII.

3.168 The Committee are glad that Government have recently allowed the existing industrial units to diversify production upto 25 per cent of their total production, without the formality of taking out a further licence for it. Now that the demand of the industrial units for diversification has been conceded by Government, the Committee would like the units to maximise production of goods needed by the people for their every day use and to pass on to the consumer the benefit of the reduction in cost of production, accruing from economies of scale. The Committee would like Government to keep a close watch on the position and to provide necessary facilities to industrial units which want to diversify their production in the interest of either export, import substitution or to meet the requirements of defence and other Government organisations or to meet the needs of agricultural production.

R. Location of Industries

3.169. A number of non-official organisation have expressed their view to the Committee regarding location or re-location of industries. The views expressed by some of these organisations are reproduced below:

3.170. A textile machinery manufacturers' association has stated that "Change of location is extremely difficult to get in view of the State Governments opposition. Changes of locations, even within the State is sometimes difficult in view of the fact that the State Governments' particular areas are only to be developed. Wherever substantial reasons exist for change of location, it might be possible for the State Governments not to come in the way of the industrial undertaking. After all it is an overall development of Indian economy for industry and only limited interest for a particular area."

3.171. Another chamber of commerce and industry has observed that "As far as the re-location of industry is concerned, the influence of State Governments has been unfortunate. It is only natural of course that a State Government should not wish to see local employment opportunities reduced by the removal of industrial units to another part of the country; but the fact remains that local pressures have tended to restrain industrial moves which would have been in the larger national interest. In so far as industrial licensing is to be retained for the future, it is important that decisions about the re-location of industry should be taken at the Centre and in the light of the overall national interest and that they should not be subject to intervention by the State Governments."

3.172. A manufacturers' organisation has represented to the Committee that "it is difficult to obtain permission, especially where the change is to a different State because of the opposition from the State where the unit is located. We would like to stress that the same should be sanctioned if it is feasible on techno-economic considerations and particularly if it were to progressively reduce the disparities in the levels of development between different regions as per the Industrial Policy Resolution. The changes in location should particularly be encouraged and assisted by the State Governments in the case of industries concentrated in the overcrowded metropolitan areas."

3.173. An eminent industrialist has stated that "Four location, the State Government are concerned regarding land, power and other infra-structure requirements. Even when a location is chosen, there is no finality to recommend a change in location on considerations of policy. Licensing is often made on the basis of development

achieved in certain regions rather than on economic considerations." He elaborated his point for location of industry on economic considerations, during the course of evidence, before the Committee:

> "The primary condition for location of an industry is the facilities available in a particular region. This is with regard to private entrepreneurs. Public sector industry is often located where other facilities are also developed simulataneously. But this process adds to the capital cost also. To elaborate this, I would like to say that I read in the paper a few days ago about an announcement that Government were proposing to have two units of an industry in U.P. in the public sector. Then pressure came from Madhya Pradesh. They said: You must have something for us also. Our State is also backward. The result was that the Government yielded and decided to have one Unit in U.P. and another in M.P. This is purely because of regional consideration. This should not be the criterion for putting up an industry or industrial unit. Factors such as land, water, power and transport facilities must be taken into consideration before we finally decide on the location. To further elaborate this, I would point out to you that Government has been thinking of putting up steel plants in Salem and Andhra Pradesh. Tell me from raw-materials point of view or even power, whether these two sites are suitable? If these fectors are not taken into account, cost of production will go up with the result the consumers suffer. Even if there is scope for export, we will not be in a position to export because of high cost."

3.174. Another leading chamber of Commerce & Industry has emphasised that "problems about location, capacity etc. are usually decided upon by the entrepreneur on economic considerations. These should not constitute the terms of reference of the Licensing Committee. If development in any area has to be stopped or slowed down, or if development in any area has to be speeded up, this should be secured by putting certain restrictions or giving suitable incentives through the tax system."

3.175. The Committee desired to know whether Government had laid down any principles for examining the proposed location of an industrial unit to ensure that the location of the industry is economically viable. The Committee have been furnished with the following reply:—

> "It is not possible to lay down any hard and fast principles for location an industrial unit. In so far as public sector

propects are concerned techno-economic examination of the project is undertaken by an expert body which goes into the question of location also.

In regard to private sector projects the location is left to the entrepreneurs who will no doubt keep in view the economic viability of the project. Obviously in certain industries like cement, paper, sugar etc. the availability of raw materials play a part in the location."

3.176. With regard to change of location within the same State or from State to another State, Ministry of Industrial Development and Company Affairs have clarified the position as under:—

"Change of location within the same State is rarely, if ever objected to under the Industries Act, unless it had been an important ingrediant in the approval of the scheme, Otherwise if the State Government sees no objection to the change of location approval to the proposed change of location is granted straightway without prior reference to the Licensing Committee.

As regards the change of location from one State to another, the change is allowed where both the State Governments agree to the proposal. If however, any of the State Governments' object, the matter is brought before the Licensing Committee for a discussion, where representatives of the States concerned are present before a decision is taken.

3.177. The General procedure and considerations governing proposals for change of locations where there is a difference of opinion among the State Government's are: —

(1) Normally any tendency to change of location is discouraged.

(2) When location has been a necessary ingredient in taking the decision to grant the licence, request for change of location are generally turned down.

(3) In genuine cases, where change is desired on techno-economic grounds, the cases are examined after obtaining from the licensee detailed reasons fully supported by factual data.

(4) The result of the examination is placed before the Licensing Committee for a decision."

3.178. The Ministry have further stated that the number of applications received for change of location is 41 during the year

1964 (from 13-2-64, that is date from which receipt of applications has been centralised), 50 during the year 1965 and 26 during the year 1966 (upto 31-10-1966). The number out of these licensed/approved, rejected pending etc. are as follows:—

	Out of applications received during		
	1964 (from 13-2-64)	1965	1966 (upto 31-10-66)
No. licensed/approved	22	10	4
No. rejected	4	3	3
No. pending	14	35	17
No. of applications on which action is not necessary, in view of de-licensing of items or exemption from licensing provisions on other grounds (such as value of fixed assets)	1	2	2

3.179. About the proposal that development of an area "should be secured by giving suitable incentive through the tax system, the Ministry of Industrial Development and Company Affairs, in a written note furnished to the Committee have expressed their views as under:—

> "While it is important that the different regions of the country should have a balanced industrial development, it is felt that such development should be with due regard to the natural advantages enjoyed by the different regions. Encouragement, through the tax system to the setting up of industries in locations which are not justified on economic grounds, may lead to uneconomic industrial units, which will be a permanent drag on the country. If any encouragement is to be given, it should be done through opening up lines of communications and providing the necessary infra-structure rather than through tax incentives. Provisions of such facilities will be of permanent benefit to the regions while tax incentives may be of a temporary nature, depending upon financial exigencies."

3.180. The Committee consider that at the present stage of development of the country, the need for bringing about reduction in prices of goods is of paramount importance. The interests of the country, as a whole, would be best served if the location or relocation of an industry is decided by the logic of economic factors. As already mentioned by the Committee earlier in para 2.47 of the Report, the best method of attracting the industries to under-developed areas is to improve the infra-structure facilities such as power, transport, communications, etc. if necessary on priority basis by Government rather than to force, the location of industries by any arbitrary or administrative fiats.

3.181. The Committee would also stress that early decision should be taken on the pending applications for relocation of industries, 14 out of which are stated to have been pending for more than two years and 35 for more than one year.

IV

ROLE OF DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT

A. Functions

4.1. The planning and development of all industries, except a few like iron and steel, textiles, jute, sugar and vanaspati, is listed as one of the functions of the Directorate General of Technical Development. The role of the Directorate General in this respect has been set out in the annual report of the organisation in the following terms:

"(i) Assisting in the planning and development of industries to secure a well-balanced and properly coordinated pattern of industrialisation of the country;

(ii) Formulating the detailed industrial production targets under the Five Year Plans and keeping them under constant review;

(iii) Securing increased production of those articles and commodities the present production of which is insufficient to meet the country's demand and ensuring improvement in the quality of production;

(iv) Examination from technical angle of applications received under the Industries (Development and Regulation) Act, 1951, for establishing new industrial units or for effecting substantial expansion of existing production units and making appropriate recommendations to the concerned Ministries;

(v) Making recommendation or tendering advice regarding—

(a) Formulation of import and export policies;

(b) Tariff protection;

(c) Training of technical personnel overseas etc;

(vi) Collection and compilation of industrial data relating to installed capacity, actual production, employment position, stocks, prices, etc., and apprising the Ministries concerned of their trends;

(vii) Guiding the work of the Development Councils constituted under the Industries (Development and Regulation) Act, and performing the work of secretariat of the various Development Councils;

(viii) Conducting studies aimed at finding out substitutes for imported/scarce raw materials and finished products.

It will be seen from the above that the planning and development of all the industries (except those mentioned earlier) is the most important of DGTD's functions; all other items of activity flow out of it.

Handling of Applications for Industrial Licensing.

4.2. The Directorate General of Technical Development has an important role to play in promoting industrial development in accordance with the objectives of the Industrial Policy Resolution and the requirements of the Five Year Plan in force. One of these funtions, in this respect, has been spelt out as the examination from the technical angle of applications received under the industries (Development and Regulation) Act for establishing new industrial units or for effecting substantial expansions of existing units. The D.G.T.D. makes a technoecnomic appreciation of the applications for industrial licensing, indicating *inter-alia*—

(a) if there is need for more capacity for the item(s) of production proposed in the application, also keeping in view import substitution and export possibilities;

(b) if the scheme of manufacture is technically sound;

(c) whether the capacity asked for by the entrepreneur is commensurate with the capital goods to be installed, taking into consideration the capital goods which the party may already possess;

(d) whether the scheme as submitted or as further modified in the light of discussion with D.G.T.D. will ensure reaching the maximum possible indigenous content within a reasonable time;

(e) whether the plant to be installed and/or method of manufacture to be adopted is modern and economic;

(f) whether the location lends it to economic viability and disposal of affluents.

Based on the aforesaid basic considerations D.G.T.D. recommends to the Licensing Committee either acceptance or rejection of the

application. Acceptance in some cases may be subject to certain conditions.

4.3. The administrative Ministry for that particular industry also makes their observations wheher they agree or disagree with the recommendation made by D.G.T.D. and thereafter the Licensing Committee makes a final recommendation on the application in question. The Licensing Committee recommends either the issue of a letter of intent or licence in such cases. In case of letters of intent, the licence is issued only after such conditions, as are imposed, are fulfilled by the parties and they have obtained the capital goods licence and the approval for foreign collaboration where necessary. The Directorate General of Technical Development also participates in the deliberations of the Capital Goods Committee and Foreign Agreements Committee in addition to making recommendations in this regard.

It will be seen from the above that Directorate General of Technical Development is an advisory body for all administrative ministries including the Ministry of Industrial Development and Company Affairs. Final decision on industrial licensing, however, rests with the Ministry of Industrial Development and Company Affairs.

B. Scrutiny of Applications of Public Sector Projects

4.4. The Study Team on D.G.T.D. has observed in their Report that "The attachement of the Directorate General to a separate Ministry would appear to have sprung from the concept that this organisation would thereby be in a position to render independent and impartial technical advice to the different Ministries concerned. It has, however, been brought to our notice that in actual practice, the administrative Ministries which have grown in number have begun to look upon this organisation as an outside body; there is a clearly noticeable tendency amongst some of them to consult the Directorate General less and less in respect of the industries in their administrative charge. This feature becomes more pronounced in the case of public sector undertaking where the Directorate General's association has progressively dwindled. Instance have been brought to our notice of decisions taken by Ministries in regard to the setting up and progressing of public sector projects without there being any consultation with, and in some cases without even the knowledge of, the Directorate General, if such a tendency continues, it is apprehended that even in respect of industries in that private sector the association of the Directorate General might be progressively reduced.".

4.5. The Study Team while recommending fuller association of D.G.T.D. with the public sector projects, has further observed that "We consider it necessary that this, as also other similar technical organisations, should be fully associated with public sector projects. The association could be somewhat on the following lines:

(a) The Directorate General should be consulted at the stage of overall planning leading to the decision to establish public sector projects, as recommended in the preceding paragraphs;

(b) The Directorate General should be consulted when a project report in respect of any project is received and they could have something useful to contribute at this stage;

(c) The Directorate General should also be kept informed of the progressing of public sector projects so that they have complete information and data about the industry as a whole which would enable them to play an effective role in the planning of overall industrial development.

We would like to point out that if the Directorate General are not associated with the planning and implementation of projects in the public sector in the manner indicated above, the usefulness and effectiveness of the organisation in the matter of overall planning will be considerably undermined."

4.6. Asked during evidence whether the procedure for scrutinising applications of industrial licensing in respect of public sector projects was different from that of private sector projects, the representative of D.G.T.D. stated that "We have taken over this work of scrutinising these applications. The same type of scrutiny will be executed, as we do in the case of private sector parties". The Secretary of the Ministry of Industrial Development and Company Affairs while clarifying the position stated that "If I may just intervene here, the point is that the public sector projects of any magnitude would be set up after very careful consideration in all the technical aspects and from the earlier stages of the examination of technical aspects the D.G.T.D's advice would be taken in respect of industries with which DGTD is concerned. The DGTD is associated from a fairly early stage of the project and therefore the type of scrutiny that is exercised for applications from the private sector may not be exercised here."

C. Separation of work of DGTD from Ministry of Industrial Development & Company Affairs

4.7. The Committee have been informed that "the likely considerations for which this change (the separation of work of DGTD from the Ministry of Commerce and Industry) was effected are that

immediately after the Chinese aggression it was felt that industries in the civil sector may have to be geared up to meet the new challenge of not only being able to attain a greater degree of self-sufficiency in view of the diminishing availability of foreign exchange but also being able to supplement the efforts being made by the Ordnance factories in the production of the items required for the defence of the country. The attainment of these objectives envisaged the existence of a detached and objective technical appraisal in the various sectors of industrial development. To secure this objective the Development Wing was separated from its traditional position with the Ministry of Commerce and Industry and was made an attached office of the Ministry of Economic and Defence Coordination which was set up in the wake of Chinese aggression. Simultaneously the Directorate General of Supplies and Disposals was also taken out of the late Ministry of Works, Housing and Supply and made a part and parcel of the late Ministry of Economic and Defence Coordination. This grouping was intended to secure a much greater degree of liaison between these two organisations to secure a well-balanced development of industries. Equipped with the knowledge of requirements of priority indentors on the one hand and the factual data of industrial resources available in the country on the other, the late Ministry of Economic and Defence Coordination started working its energy towards the expansion and development of existing manufacturing facilities and the creation of new facilities so as to enable indigenous industries to cater to the requirements of over-increasing range of products. The functions discharged by the late Ministry of Economic and Defence Coordination in the matter are now being discharged by the Ministry of Supply, Technical Development and Materials Planning. Under these arrangements it has been possible for the Directorate General Development to achieve appreciable increase in industrial production despite the lower availability of foreign exchange. It has also been possible to organise a special drive for import substitution as a result of which it has been possible to achieve a saving of about Rs. 35 crores per annum in foreign exchange at current levels of production."

4.8. Emphasising the need for working of D.G.T.D. in close collaboration with Ministry of Industry, the Study Team on D.G.T.D. has observed in their Report as under:

> "Implementation of the plan, in operational terms, consits of the analysing and breaking-up of the plan targets, sanctioning of industrial licences with due regard to the coordination and balancing of development as among the different regions in the country and as between the large scale and the small scale sectors on the one hand and the

public and the private sectors on the other. For dealing with these matters, which have an overall implication covering the industrial sector in its entirety, we recommend that the necessary coordination should be provided by the ministry charged with the responsibility for the formulation of industrial policy in terms of the Industrial Policy Resolution, at the moment the Ministry of Industry. In order to fulfil this role effectively, the Ministry of Industry should have close and continuous advice from an organisation which has full knowledge of the technical implications and it is here that we are convinced that the Directorate General should be working in close collaboration with the Ministry of Industry. In this connection, a suggestion was made to us that, in order to enable the Ministry of Industry to play its role of coordination in an effective manner, the Directorate General should be administratively attached to this Ministry. We have had some discussions on this question, but as our terms of reference do not include the examination of the total lay-out of the governmental machinery dealing with the industrial sector, it has not been practicable for us to make any definite recommendation as to which would be the appropriate ministry in the machinery of Government to which the Directorate General could be attached with maximum advantage. We would, therefore, urge that this important issue should be considered urgently by Government as part of an overall study of the functions of the Ministry of Industry and othe ministries in administrative charge of the different sectors of industry."

4.9. After the fourth General Elections when new Government took office in March 1967, the Directorate General of Technical Development was merged with the Ministry of Industrial Development and Company Affairs.

4.10. The Committee are glad to note that the Directorate General of Technical Development has recently been merged with the Ministry of Industrial Development and Company Affairs. They hope that this merger would not only result in greater degree of liaison with the Ministry but would also help in promoting the pace of industrialisation and attaining self-reliance at the earliest.

D. Import Substitution

Need for Import Substitution.

4.11. The need for import substitution arises from our heavy import requirements for maintaining the tempo of development in

the face of an acute shortage of foreign exchange and uncertain foreign aid prospects. After the Chinese aggression and more recently after the conflagration with Pakistan, import substitution has become all the more urgent for the defence of the country. According to Government import substitution could be in any one of the following directions:

(a) Substitution of imported raw materials and components with indigenously manufactured materials and components of the same specifications;

(b) Reducing the consumption of imported raw materials and components per unit of production;

(c) Changing over production of chemicals and chemical products as based on intermediates to basic raw materials;

(d) Substitution of an imported raw material or component by alternative material with resultant change in specifications of the finished product; and

(e) Last but not least, acceleration of phased production programme.

4.12. The following table gives the percentage of import substitution achieved in the country since 1950-51, in respect of certain commodities:

Commodity	Unit of Account	1950-51		1955-56		1964-65	
		Total estimated supplies	Percentage of imports to (a)	Total estimated supplies	Percentage of imports to (a)	Total estimated supplies	Percentage of imports to (a)
		(a)	(b)	(a)	(b)	(a)	(b)
Bicycles	'000 Nos.	264	62·5	661	22·4	14·42	Neg .
Sugar-mill machinery	Rs. lakhs	100	100·0	419	95·2	949	4·1
Textile machinery	Rs. lakhs	N.A.	N.A.	1233	67·6	4960	56·4
Soda ash	'000 Tonnes	75	40·0	154	46·7	320	10·6
Bleaching powder	'000 Tonnes	9·4	61·7	8·2	61·0	10·3	22·3
Iron and Steel	'000 Tonnes	1391	25·2	2219	41·5	5626	21·2
Caustic Soda	'000 Tonnes	34	64·7	98	62·9	260	26·1
Aluminium	'000 Tonnes	14·7	72·8	23·5	68·5	77·0	29·7
Machine tools	Rs. lakhs	356	91·6	523	84·7	4636	44·6
Newsprint	'000 Tonnes	76·3	100·0	84·0	95·6	131·7	77·8
Raw cotton	Lakh bales of 180 Kgs.	39·5	27·6	45·5	13·2	61·7	12·5
Foodgrains	Mill. Tonnes	56·2	6·5	67·2	0·6	87 4	5·8
Raw Jute	Lakh bales of 180 Kgs.	57·3	35·3	57·1	25·9	62·2	5·0
Sewing machines	'000 Nos.	56	41·1	125	11·2	330	Neg.
Paper and paper boards etc.	'000 Tonnes	151	23·2	260	26·2	507	2·6

Notes : (1) In the case of raw cotton and raw jute, the total estimated supply is for crop/agricultural years; in the case of foodgrains, production is for agricultural year and imports for the financial year.

(2) In the case of raw cotton, raw jute, and foodgrains, figures under 1950-51 refer to the average of three years, *viz.* 1949-50, 1950-51 and 1951-52; and those under 1964-65 refer to the average of 1962-63, 1963-64 and 1964-65.

(3) Textile machinery includes machinery for Cotton, Rayon, Silk and Woollen industries,

Self-sufficiency in indigenous content.

4.13. The Committee desired to know if any time limit had been laid down within which an industry entering into foreign collaboration should achieve sulf-sufficiency particularly in raw materials, semis, components and maintenance goods. The Ministry of Industrial Development and Company Affairs have informed the Committee that wherever a manufacturing scheme involves imported raw materials and/or components, a definite phased manufacturing programme is always insisted upon so as to ensure that the undertaking achieves self-sufficiency in as early a period as practicable. It is stated that The Director General of Technical Development has issued instructions (on 29th December, 1965) that:

(a) The concept of indigenous content should be basically revised. The general object should be to start 100 per cent or near 100 per cent indigenous content, at least in the engineering industries.

(b) So far as the existing approvals are concerned, steps should be taken to improve upon the phased programmes earlier approved with a view to reaching 100 per cent indigenous content as early as practicable.

(c) So far as foreign collaborations are concerned, if a collaboration in a particular field has already been approved, fresh collaborations in the same field should be discouraged and the possibility of persuading the undertaking which has already come into existence, to part with their know-how to new-comers, on the basis of some payments, should be explored.

4.14. The representative of D.G.T.D. has informed the Committee during evidence that "A much higher indigenous content is being insisted on in regard to all new licences. It may not be practicable in every industry to achieve 100 per cent indigenous content, but we are definitely insisting on a much higher percentage of indigenous content when new licences are being issued." He added that "The earlier units which were required to achieve an indigenous content of say 80 per cent, are now being pressurised to achieve a higher percentage themselves."

4.15. The Committee desired to know whether any review of the existing approvals/collaboration agreements had since been made with a view to improve upon the phased programme of reaching 100% indigenous content as early as possible and if so, in how many cases, the original targets of reaching self-sufficiency had been re-

vised. In a written note furnished to the Committee the position has been stated as under:

"Officers dealing with different industries have had discussions with the industry and industrial units made careful assessment of the items that could be manufactured in India in addition to what was originally agreed to in the phased programmes. In general there has been substantial reduction of imported components in various industries. A few examples are given below:

(i) In the case of cement machinery, the imported content was about Rs. 60 lakhs per plant of capacity 600 tons per day some time ago. It was progressively reduced to Rs. 45 lakhs, Rs. 30 lakhs and more recently to Rs. 27.5 lakhs (pre-devaluation). This has been possible by increase of indigenous production and availability of items like castings, forgings, less horse power motors etc.

(ii) The question of improvement in the approved phased manufacturing programme was taken up in early 1965 and is being vigorously pursued continuously. Individual discussions with each unit resulted in substantial import substitution and improvement in the phased manufacturing programme. Due to paucity of foreign exchange, the industries themselves became alive to this situation and cooperated whole heartedly. Due to this improvement though no amendments in the original approvals were made but no unit is allowed to go back once an indigenous substitute has been developed and accepted. In case of machine tool industry, this was done primarily by taking up the manufacture of certain complicated components and sub-assemblies which were scheduled to be taken up at a later date. Also in many cases, sources for the manufacture of forging and castings orders for which were previously not considered by the castings and forging industries due to the uneconomic quantities involved were taken up for manufacture by the machine tool units putting in extra investment for the dies and patterns and supplied to the forging and casting people.

(iii) In the automobile industry, by rapid and accelerated development of ancillary industries and with the cooperation of the manufacturers it has been possible to increase the indigeneous content in the case of cars and trucks as indicated below:

Cars—85 to 95% depending on the model.

Trucks—about 90%.

(iv) Dyestuff industry. Import component in the indigenous production of Dyestuffs has been reduced from 25% in 1963 to 18·6% in 1965 and it is expected to be reduced further to 15% during 1966."

4.16. The Committee further desired to know the particulars of the industries which were set up with foreign collaboration and have achieved self-sufficiency in imported materials and/or components within the specified period during the Second and Third Plans. The Ministry of Industrial Development and Company Affairs in a written note have furnished the following information:

It would be a tremendous job to go into individual cases of foreign collaboration in the Second and Third Plan periods as the number of units to be covered for collecting the requisite information in the desired manner will be too large. However, material that could be collected in this regard is given below:—

Industries where self-sufficiency in imported components have been achieved within the specified time during the Second and Third Plan periods

Sl. No.	Industry	Number of Units	
		2nd Plan Period	3rd Plan Period
1	Ball & Roller Bearings	1	..
2	Addressing Machines (Non-Scheduled Industry)		1
3	Type-writers . . .		3
4	Bicycle Industry	..	5

Units in the following industries came into production towards the middle of the Third Plan period and are adhering to the phased manufacturing programme with regard to imported components:

1. Data Processing machines — 2 Units
2. Calculating and Adding machines — 1 Unit

The following firms have achieved self-sufficiency in the manufacturing programme of cranes:—

1. M/s. Garden Reach Workshops Ltd., Calcutta.
2. M/s. Burn & Co. Ltd., Howrah.
3. M/s. Tak Machinery Ltd., Ghoga Street, Bombay.
4. M/s. Braithwaite & Co. (India) Ltd., Calcutta.
5. M/s. Khandelwal Udyog Ltd., Bombay.

However a slight relaxation has had to be given in the above for the import of some components for which indigenous capacity has not yet been developed to the desired extent.

In the manufacture of lifts with foreign collaboration the firms could not be provided with the requisite foreign exchange due to foreign exchange shortage. They were, therefore, persuaded to substitute the imported components with indigenously manufactured components. Two of the units were able to achieve a higher indigenous content than the original stipulation.

In boat building self-sufficiency to the extent of 90 to 95% indigenous content has been achieved. Only sophisticated instruments, radar and spare parts have had to be recommended for import.

In regard to fishing trawlers and dredgers indigenous content is about 80%. The main imported items are high horse power marine diesel engines, hydraulic powered winches etc. Manufacture of marine diesel engines indigenously is taking place and as soon as these become available, indigenous content will rise upto 90 to 95%.

As regards ship-building, Hindustan Shipyard Ltd., Vishakhapatnam import only the items not available indigenously which comes to about 35 to 40%, mainly due to import of high horse power diesel engines, propelling machineries, propellers, auxiliary high horse power diesel generating sets, wireless equipment, nautical equipment, pyro technic safety equipment etc. As soon as the manufacture of high horse power marine diesel engines, propelling machinery etc. is established indigenously, import content will drop to 10—15%. Import will be for items like wireless equipment, nautical equipment and other sophisticated items not available indigenously.

In regard to sugar mill machinery, the industry was started with a maximum pack value (Plant) of crushing capacity of 1,250 tons per day valued at Rs. 24 lakhs. Gradually the pack values were reduced to Rs. 20 lakhs, 18 lakhs, 16 lakhs, and 14.5 lakhs. The foreign exchange content at present is Rs. 8·75 lakhs and 10·5 lakhs for a standard plant of 1000/1250/1250/2000 tons per day crushing capacity.

Progressive reduction in the imported contents based on a predetermined phased manufacturing programmes has been aimed in the following industries:—

(a) Reduction Gears

(b) Boilers

(c) Conveyers

(d) Pulp & Paper making machinery

(e) Chemical & Pharmaceutical Machinery

(f) Coalmining & Coal washery

(g) Building & construction machinery

(h) Dairy Machinery

(i) Industrial Cooling Towers

(j) Industrial Centrifuges & filtration equipment.

(k) Asbestos Cement Products

(l) Industrial Air Conditioning & Refrigeration equipment.

(m) Tea processing machinery.

(n) Weighing machinery.

4.17. Asked about the number of cases in respect of which the period for achieving the target of self-sufficiency had to be extended, the Ministry have stated that the available information is as under:—

"(1) *Alarm time-piece and wrist watch.*—Due to non-availability of capital goods on account of ferign exchange difficutty and non-receipt of imported capital goods in time.

(2) *Lifts.*—One of the units licensed for the manufacture of passenger and goods lifts could not achieve self-sufficiency as per original stipulation since some of the imported components required by them for the manufacture of lifts were of patent design and the requirement of such components per lift was so small that its development indigenously would be uneconomical. The firm were, therefore, persuaded to increase their production and the target for achieving self-sufficiency as per original stipulation, was extended.

(3) *Azo Dyes, Optical Brightners and Intermediates* viz. *Phenyl Peri acid, etc.*—The period stipulated for the completion of the project was too short. Manufacture has been established during 1966.

(4) *Detonating fuse.*—The firm had some difficulty in importing suitable plant for the manufacture of PETN. Manufacture could be established only in October, 1966."

4.18. The Committee have been informed that there are no rules which provide for any penalty for not achieving the target of self-sufficiency within the specified time.

4.19. The Committee note that the information furnished by the Ministry in regard to the achievement of self-sufficiency by manufacturing units is not comprehensive. It appears that no regular

watch is kept on the manufacturing units to see that they achieve the targets of self-sufficiency within the specified time. It is also significant that no penalty attaches to any unit in case of default in this important matter.

It is well known that India is a major importer of technical know-how. Most of the industries are dependent on imported components/parts. The maintenance imports have risen from year to year. It is, therefore, important that there should not only be a well conceived and definite programme for achieving self-sufficiency in imported components and parts by each manufacturing unit but a careful watch should also be kept by Government that the programme is actually adhered to.

4.20. The Committee would also like Government to intensify the review of the existing foreign collaboration agreements both in the public and private sector with a view to accelerate the achievement of cent per cent indigenous content.

The Committee would, however, like to emphasise that in developing the import substitution industry, it should be borne in mind that once the teething troubles are over, the indigenous unit would be able to supply the goods at internationally competitive prices and would not need the crutches of import controls permanently.

E. Design Facilities

4.21. It has been represented to the Committee by a manufacturers' organisation that "in many cases we have manufacturing facilities and capabilities but no design facilities *i.e.* lack of drawings and specifications. Just as manufacturing was encouraged in the past and it is to be continued the design facilities should now be encouraged by recognising them on the same basis as the manufacturing units. The recognition of the status of design firms will give stimulus to import saving and substitution. Also in our opinion, a self-reliant industry can be built only if the enterprise and the talent of an individual are given full scope to design and/or manufacture of new items for indigenous consumption as well as for export. This freedom has been curbed in some cases".

4.22. Asked during evidence as to what steps had been taken by Government to encourage the setting up of design organisations for the various industries both in the public and private sector, the representative of the Ministry of Industrial Development and Company Affairs stated that "During the last few years most of our public sector undertakings have developed their own organisations for designing and development. The Hindustan Steel have got their own Central Designing and Engineering Bureau which is capable of

designing steel plants and pig iron plants. Similarly Heavy Engineering Corporation, Heavy Electricals, Fertiliser Corporation etc. have got their own Engineering Organisations. In the private sector also, there are quite a number of consulting organisations that have been set up during the last few years, some with foreign collaboration and some without it. We are quite competent today to undertake detailed engineering and designing for a number of industries. It is a continuous process and more and more of these units are coming into being."

4.23. Asked further why Government had not allowed the Indian Design Section to be utilised fully for Bokaro, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "Indian designers are associated with the work of Bokaro. Of course, the Hindustan Steel could not take on the designing of Bokaro, the further expansion of Rourkela, the further expansion of Bhilai, the further expansion of Durgapur, all of them simultaneously. These are all very big jobs and I do not think they have the capacity to take on all of them simultaneously." About self-sufficiency in designing it was stated that "In certain industries we have been able to do that. For example, in the case of cement industry and sugar, plans could be set up completely anywhere."

4.24. In a written note furnished to the Committee the position has been further explained as under:

> "In 1962 a Committee on Administration of Cabinet Secretariat set up a Working Group which went into the question of design and research organisations in the major industrial undertakings. The undertakings also are fully conscious of the need for having design and research organisations and in a few projects such units already exist *e.g.* the Machine Tool design Institute is in existence in Bangalore; the Hindustan Steels has a Central Engineering & Design Bureau; the Fertiliser Corporation of India has a Central Planning Development Organisation located in Sindri for the fertiliser industry; the Heavy Electricals (India) Ltd., have an organisation at Bhopal. Likewise a Central Project Design Institute for heavy engineering industries is also being established. Government as well as the units themselves are fully conscious of the need for self-reliance in the matter of designing facilities and this aspect is constantly kept in view and receives continuous attention."

4.25. The Committee understand that Government have constituted a high powered committee to make recommendations about development of designing facilities and to accord recognition to

reputable consultants and designing firms in the country. Having developed a huge complex of basic industries ranging from heavy foundry to heavy fabrication and large capacities for machinery manufacture, chemicals etc., the country is now well placed for developing self-reliance in designing work. The Committee need hardly stress that the high-powered Committee's recommendations on this matter of crucial importance should be expedited and that Government should extend every encouragement to make the country self-reliant in designing work, in major industries.

F. Publications on Development of new process and production know-how

4.26. The Committee desired to know whether any publications, bulletins and hand-outs were brought out regularly on technical matters for the guidance of technical officers in the organisations and entrepreneurs. Government in a written note furnished to the Committee have stated that "There are no such technical publications, bulletins or hand-outs brought out by D.G.T.D. However, D.G.T.D. officers contribute technical papers to the Industry and Trade Journals."

4.27. As to how D.G.T.D. kept in touch with the new processes and production know-how under development in the various research laboratories in the country, the Committee have been informed as under:

> "Publications, bulletins and hand-outs that are brought out by the C.S.I.R. in respect of new processes and production know-how that are developed or are being developed in the various research laboratories under their auspices, are generally circulated also to D.G.T.D. This enables the D.G.T.D. officers to keep in close touch with such processes that are being developed in the research laboratories of the country. D.G.T.D. officers are also members of the Executive Councils of the various C.S.I.R. laboratories and they keep in touch with their activities. Representatives of C.S.I.R. are invariably members of the various Development Councils and Panels. Besides these, D.G.T.D. also obtains a large number of foreign publications on such matters D.G.T.D's own Library is fairly up-to-date."

4.28. The Committee would like to recall the recommendations made by them in para 156 of their 48th Report (Third Lok Sabha) on the erstwhile Ministry of International Trade, to the effect that Handbooks containing up-to-date information about indigenous manufacture of various industrial goods and machinery should be

brought out annually by the Directorate General of Technical Development. The Committee hope that Government would ensure that every effect would be made to bring out these publications annually and to continuously improve their contents in the light of changing requirements of the industry; care being taken to ensure that the information incorporated therein is accurate and up-to-date.

G. Technical Advice

4.29. The number of cases referred to the D.G.T.D. for expert technical advice during each of the years of the Third Plan is furnished below:—

	Ist year (1961-62)	2nd year (1962-63)	3rd year (1963-64)	4th year (1964-65)	5th year (1965-66)
1. Applications for grant of licences under the Industries (D&R) Act.	2,258	2,467	1,777	2,136	1,621
2. Applications for registration	..	..	..	815	907

4.30. In addition to the above, the D.G.T.D. has handled the following types of cases and the number of such cases during each of the years of the Third Five Year Plan is given:

	1st year (1961-62)	2nd year (1962-63)	3rd years (1963-64)	4th year (1964-65)	5th year (1965-66)
1 List of import requirements of public sector projects for clearance from indigenous angle and issue of 'Not manufactured in India' certificate.	52,547	43,846	41,458	45,721	34,843
2 Applications for import of capital goods, raw materials and components . . .	28,124	19,976	23,632	23,333	14,336

Documentation Centre

4.31. The Study Team on D.G.T.D. in their Report has recommended the introduction of a 'Documentation Centre' with a view to keep the technical personnel from the peril of technical obsolescence. The Study Team, while emphasising the need for such a Centre, has observed that "The Directorate General are continuously required to tender day-to-day advice in the field of industrial development and production to different departments of the Government of India and even to private entrepreneurs. The advice

so tendered is, in a majority of cases, the main determinant in the policy governing the industrial fabric of the country. It is important, therefore, that the technical talent in the organisation should be kept in a constant stage of repair and refreshment and endowed with a perspective. It is recognised in all technical spheres that the collection, classification, storage and retrieval of technical information in a scientific manner must be an organic function of any institution having a major concern with technical knowledge. What is required for this is a documentation centre."

4.32. Asked whether Government had examined the suggestion of the Study Team on D.G.T.D. for the opening of a documentation centre, the representative of D.G.T.D. stated that "An empowered committee has been constituted by Government to examine the recommendations made by the Mathur Committee (Study Team on D.G.T.D.). This committee has examined this suggestion and has recommended its acceptance. But, unfortunately, recently due to the economy measures, we have found heavy weather in sanctioning these additional posts required for instituting this documentation centre. The matter is still under discussion with the Finance Ministry. At the same time, we are also considering another report, called the Booz Allen and Hamilton Report, which has also talked about an information centre with a documentation idea. So we are trying to consider these two reports together and afterwards we will evolve a pattern which will be pursued with the Finance Ministry. So, the matter is at the moment under consideration".

4.33. The Committee understand that the information system for import licensing and foreign exchange allocation was the subject of a detailed study by an American firm of Management Consultants Messrs. Booz, Allen & Hamilton International (Inc.). The objective of the study was to review the existing information gathering procedures in order to identify major shortcomings, to make recommendations to improve the procedure and in general make the records an effective tool for processing licensing applications and allocation of foreign exchange for import of capital goods, maintenance goods and raw materials.

The Study has revealed that—

(i) the quality of data received by the D.G.T.D. is neither consistent nor it is audited.

(ii) The D.G.T.D's current information processing system is related to but not fully compatible with the information needs of industry and other government agencies. Many common needs exist which are not now satisfied by common data....

(iii) The D.G.T.D. most often request data from companies that is very similar to data already received. Moreover, the D.G.T.D. is not presently in a position to supply industry with desired statistical or reference data.

(iv) The data storage is by company and little data exists on a total product basis.

(v) There are few uniform or clearly defined criteria or policies in the directorates which Development Officers use consistently as a basis for foreign exchange allocation decisions.

(vi) Reliance is placed on manual checking and transferring of data to ledgers and on mental computations. These techniques are slow, are a source of inaccuracy, and are inappropriate to the large volume of data to be handled. Development Officers, as a result, seldom have all the data they desire available when making an allocation decision.

(vii) Production units are not measured carefully in their performance in using foreign exchange funds allocated to them previously.

4.34. It has been stated in a written note furnished separately to the Committee that "The recommendations made in the report (submitted by M/s. Booz Allen & Hamilton International Inc. in respect of the Information Gathering Procedures in the Directorate General of Technical Development) are being examined by the Government. A Team headed by the Director General, Technical Development and Composed of senior representatives from the Ministry of Supply, Technical Development and Materials Planning, Ministry of Finance, Department of Expenditure, Economic Adviser, Department of Economic Affairs, Ministry of Labour and Employment, Planning Commission and the Department of Statistics, has been set up to implement the recommendations made by M/s. Booz Allen & Hamilton International Inc. filling the gaps wherever necessary to suit the local requirements. The Team has also been authorised to consult the representatives of the Organisation like the Federation of Indian Chambers of Commerce."

4.35. The Committee feel that Government should take early decision regarding the scrutiny and systematic organisation of data and information for the use of Director General of Technical Development so that he can act truly as a Technical Adviser to both the Ministry of Industrial Development and Company Affairs for processing the application for industrial licence and to the Ministry of

Commerce for processing applications for allocation of foreign exchange for import of capital goods, maintenance goods and raw material for industry.

H. 'G' Return

4.36. The mechanism with the help of which a watch is kept on the units licensed in the scheduled industries is called 'G' return, which shows the progress of implementation of a scheme licensed under the Industries (Development and Regulation) Act. The Ministry of Industrial Development and Company Affairs have appointed the Director General of Technical Development as the authority to receive 'G' returns on their behalf. These returns are to be submitted in accordance with the provisions of rule 19 of the Registration and Licensing of Industrial Undertakings Rules 1952, which reads as follows:

"(1) Every owner of an industrial undertaking in respect of which a license or permission has been granted shall send every half year ending 30th June and 31st December, commencing from the date of grant of the licence or permission, as the case may be, till such time as the industrial undertaking commences production a return in form 'G' (Appendix XIII) appended to these rules to the Ministry of Commerce and Industry, Government of India, New Delhi. The return relating to every half year shall be sent within one month after the expiry of that half year.

(2) Where any condition has been attached to a lecence or permission granted in respect of an industrial undertaking to the effect that certain steps should be taken within a period specified therein, every owner of such an undertaking shall send a return, with five spare copies, in form 'G' appended to these rules, to the Ministry of Commerce and Industry, Government of India, New Delhi showing the progress made in taking such steps at the expiry of the period so specified. The return shall be sent within a period of seven days from the expiry of the period so specified.

(3) Every owner of an industrial undertaking which has been registered by reason of effective steps having been taken for the establishment of that undertaking before the commencement of the Act shall send, every half year ending on the 30th June and the 31st December 1953, till

such time as the industrial undertaking commences production, a return, with five spare copies, in form 'G' appended to these rules, to Ministry of Commerce and Industry, Government of India, New Delhi, or to any authority appointed by it in this behalf. The return relating to every half year shall be sent within one month of the expiry of that half year."

It will be seen that irrespective of the date of the grant of an industrial licence, the 'G' return is required to be submitted by the licensee twice a year showing the progress made in the implementation of the project up to the end of June and December, respectively. A licensee is required to continue to submit this return until the project has been completed and is ready to go into production. Regarding the submission of the 'G' return by all licensees regularly and punctually, the representative of the D.G.T.D. has informed the Committee during evidence that "Realising the importance of this return, we are now ensuring that these returns are carefully examined and also are received regularly. If they are not received regularly, we keep on sending reminders to these firms. Of course, in the past, there have been some lapses which were noticed by the Mathur Committee also. I was a member of that Committee and I am aware that there were lapses. But we are now ensuring that wherever there have been lapses, they are reminded and the returns are called for. In the event of returns not coming in over a long period, we in fact issue necessary threats to the units to say that if they do not submit the returns in time, action will be taken against them. Action in this would be the revocation of the licence."

4.37. The Study Team on D.G.T.D. has observed in their report that "The function of the 'G' return is to serve as an instrument for watching the actual implementation of a licensed scheme in its entirety and it is, therefore, necessary that the 'G' return should continue to be submitted until the capacity indicated in the licence has been fully installed and the undertaking actually commences production as planned. We recommend that the rule mentioned above should be amplified accordingly in order to ensure the submission of 'G' return till the licensed capacity is fully installed and production has commenced as per programme." The representative of D.G.T.D. has informed the Committee during evidence that the above recommendation of the Study Team has been accepted and will be implemented, after necessary approval.

Scrutiny of 'G' Returns

4.38. The Committee desired to know whether any definite instructions had been issued for the scrutiny and disposal of 'G' returns. The Committee have been informed by the Ministry in a written note that "When an industrial licence is issued the licensee is instructed to submit 'G' returns periodically namely at the end of every half year to the D.G.T.D. in respect of all industries other than textile industry, for which the returns are sent to the Textile Commissioner, Bombay. These returns are scrutinised by the D.G.T.D. and they make an assessment of the progress made by the undertaking. The D.G.T.D. thereafter sends a copy of the 'G' return with their recommendation to the Ministry for appropriate action."

4.39. The Study Team on DGTD have observed in their Report that "The result of the case studies has, however, shown that in many cases these returns were disposed of at very junior levels* and, as such, had not received adequate attention in the Directorate General. We, therefore, recommend that all 'G' returns must be put up at least to the level of Development Officer, who should examine them carefully. Where it is noticed that reasonable progress is not being made, the matter should be brought to the notice of higher officers for considering the future line of action.

4.40. The matter regarding the level at which the 'G' returns are disposed of also come up for discussion before the Committee during evidence. The representative of the DGTD explaining the position stated that "These progress returns and 'G' forms are handled by the Development Officers. Each Development Officer is given responsibility for a certain number of industries and those units are checked by the Development Officer. In cases where there is default he brings it to the notice of the Industrial Adviser. So, there is a check on this side." In reply to a further query he added that "there have been a few instances where the reports were disposed of at the level of the Assistant Development Officer. Because of

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*It has been stated that "Out of 116 returns received in 25 cases, 15 returns had become out of date and were filed while 101 returns were disposed of at various level as indicated below :—

(*i*)	By Assistant	1
(*ii*)	Section Officer	11
(*iii*)	By Junior Technical Officer . .	3
(*iv*)	By Assistant Development Officer .	68
(*v*)	By Development Officer . . .	31
(*vi*)	By Industrial Adviser . .	

these few instances, naturally, the Study Team took the view that without proper delegation these were disposed of at lower levels. But now steps have been taken to ensure that they will be disposed of at least at the Development Officer's level."

4.41. The Committee are concerned to note that the 'G' return, which provides concrete information about the progress made by various licensed units to achieve production, does not receive careful and detailed consideration which it deserves and that in a substantial number of cases, the return is being disposed of in a routine manner at lower level. The Committee would like Government to ensure that the 'G' return is subjected to a most critical examination at a sufficiently senior level, so that the cases of excessive delays in establishing the industrial unit and achieving licensed production receive close attention and direction.

Endorsement of 'G' Returns to other Ministries/Bodies

4.42. The Committee have noted from the observations made by the Study Team on DGTD that "copies of 'G' returns are endorsed by the Directorate General of Technical Development to the administrative ministry concerned, the Department of Economic Affairs and the Planning Commission on the one hand and State Directors of Industries on the other. It is not known if the various Central authorities make any use of this return. During the course of our study of the forms and returns used in the Directorate General it has been noticed that the Directorate General have to submit a monthly report in regard to the progress of implementation of projects. Even otherwise action for extension or revocation of a licence is taken only on the basis of the specific recommendation of the Directorate General. In the circumstances, it is recommended that the Central authorities should be asked to examine whether they really make any use of these returns and if not the supply of copies of this return to these authorities should be discontinued."

4.43. In a written note furnished to the Committee, it has been stated that "The copies of 'G' return are not endorsed by the DGTD to the Department of Economic Affairs but only to the State Director of Industries, Ministry concerned, Planning Commission and Economic Adviser. The intention of endorsing copies of 'G' returns to the Central authorities is to keep them informed of the progress made by the party so that wherever necessary they may assist the party to get allotment of land, power, etc. from the State Government in case the progress is slow for want of these facilities or to expedite the issue of import licence, etc. If the party is itself at fault and no progress seems likely to be made by it to implement the scheme, the

administrative ministry issue the show cause notice regarding revocation of licence."

4.44. The Committee desired to know the number of cases during the last 2 years where any of the authorities (to whom copies of 'G' returns were endorsed) had made a reference regarding the returns to the DGTD for further information and/or clarification. In a written note furnished to the Committee it has been stated that "Only a few references asking for clarifications/comments of the D.G.T.D. have been made during the past two years." The note also stated that "The Government has accepted the recommendation of the Study Team that Central Authorities other than the D.G.T.D. who at present receive copies of the 'G' Return should examine whether they really make any use of such returns and if not the supply of copies of this return to them should be discontinued."

4.45. The Committee are of the view that calling of multiple returns or endorsement of copies to Departments/Ministries/authorities which make little practical use of them, involves infructuous work and unnecessarily burdens productive organisations with avoidable paper work. The Committee need hardly stress that Government should take early decision regarding the supply of 'G' return by manufacturers to Central authorities other than D.G.T.D., who make little practical use of it. It may be advisable to have an inbuilt machinery in each Department/Ministry dealing with manufacturers to ensure that infructuous/multiple returns which serve little practical purpose are not called from manufacturing units.

V

ROLE OF C.S.I.R.

A. Research and Industry

5.1. For historical reasons, Indian Industry has relied on imported technical know-how, secured (directly) through royalty payments and purchased (indirectly) along with the import of capital equipment. The demand for technical know-how has increased rapidly since independence as is clear from the spate of technical collaboration agreements which are, in effect, an index of India's direct imports of foreign technology. It is said that between 1957 and June 1963 a total of 1960 technical collaboration agreements have been entered into (in the private sector) which gives an average of 4·5 agreements per week since 1957. Almost all the agreements save those in which substantial equity participation is involved result in payments of one kind or another to the foreign collaborator. Indian payments abroad on account of royalities, patent fees, technical and professional services etc. are estimated to have more than doubled between 1951 and 1960, and were placed at around Rs. 10 crores in 1963. Nearly one tenths of the 14,000 registered patents in India are stated to have been granted to foreigners compared with 13 per cent in the U.S., 24 per cent in Japan and 52 per cent in Britain. It is not known how many of the Indian patents have actually been commercially exploited or are otherwise active.

5.2. The cost of purchase of foreign technical know-how is stated to be negligibly small in absolute financial terms but it is nonetheless a disquieting fact that the control of so cruicial a factor of production as technology should rest overwhelmingly in foreign hands.

5.3. About the failure of industrial research in India it has been observed in the paper 'Research and Industry' by Economic and Scientific Research Foundation, as under:—

> "There are a number of reasons why industrial research in India has apparently failed to deliver the goods. Some of these have been discussed in the Report of the Third Reviewing Committee of the Council of Scientific and Industrial Research but the basic reason

for failure is surely that industrial research in India tends to be an academic rather than a commercial activity and has few points of contact with the practical, hard-headed world of industry, which is after all the chief consumer of research results. The average scientific worker in India is interested in research for the sake of research and this approach is so ingrained in our scientific system that research ability is often measured in terms of the number of papers published. It is time we recognised that a research institute with a thousand research papers to its credit but without a single practical contribution—in the way of a new process, a new material or a new design—to industry (or agriculture) is, in effect, a failure as far as the nation is concerned. It is not so much the institute but the monastic milieu in which it operates that may be responsible for the failure—but the fact remains that a great deal of expenditure and resources has in the meantime virtually gone to waste....."

5.4. Asked during evidence whether Government had provided any funds for the promotion of scientifice and industrial research as well as for improvement in the design and quality of products of scheduled industries, it was stated that that was done through the Council of Scientific and Industrial Research and that there was also a National Design Institute at Ahmedabad.

Exploitation of Indigenous Know-how

5.5. Indigenous technical know-how may be available (i) at the laboratory research stage (ii) at the pilot plant stage and (iii) at the stage of commercial exploitation. In all cases where commercially exploited know-how is available, the parties concerned are advised to go in for it. It has been stated that if the know-how available is at the laboratory research stage or at the pilot plant stage, it would be difficult to compel the private parties to go for that since, in that case, a great deal of pre-development activity involving time and money is required to engineer production processes to the point where the commercially exploitable stage is achieved; and there can never be any guarantee that it will be successfully achieved in all cases. One difficulty which according to Government arises in this respect is that different authorities some times take different views as to whether or not a know-how indigenously available is at a stage of commercial exploitation and a certain amount of value-judgement inevitably creeps in all decision – making endeavours in this regard. The question as to what should be the criteria and how it should be determined whether

or not a particular process indigenously available is commercially exploitable is stated to be under the consideration of a Committee set up by Government under the Chairmanship of Dr. A. Ramaswamy Mudaliar.

5.6. The representative of Ministry of Industrial Development and Company Affairs confirmed during evidence that there have been some complaints that while licences had been given, the CSIR had not been able to exploit it on the commercial scale.

5.7. The following are some concrete instances where applications received for foreign collaboration were rejected on the advice of CSIR that indigenous know-how was available in respect of the following items:—

1. Optical Glass.
2. Protein Hydrolysates.
3. Air Deplorised Cells.
4. Graphite Crucibles.

5.8. The following are the details of the cases where, though licences had been issued it had not been possible to exploit the processes on commercial scale on the basis of CSIR know-how:—

(i) In 9159, the NRDC entered into an agreement with M/s. R. J. Wood & Co. Pvt. Ltd. of Delhi for the development of detailed know-how for the manufacture of cinema projector carbons on the basis of work done by the National Physical Laboratory. Difficulties arose in the implementation of this agreement which finally led M/s. R. J. Wood & Co. to sue both the NRDC and the CSIR as Respondents for damages.

(ii) M/s. Anandilal Hemraj & Co., Bombay entered into an agreement with National Research Development Corporation of India, for the manufacture of Pressure Sensitive Transport Adhesive Tape and process. The firm could not fabricate the machines and start production in the absence of alleged non-supply of essential technical data by the National Chemical Laboratory/CSIR and also incapability of the laboratory process to be developed into commercial scale. The party ultimately resorted to litigation against the National Chemical Laboratory, Poona/CSIR.

B. Better Utilisation of Indigenous Know-How and Research*

5.9. The following steps as stated to have been taken to bring about better utilisation of indigenous know-how and Research.

1. *Procedure regarding dealing with cases involving foreign technical collaboration to ensure maximum Utilisation of indigenous know-how.*

In order to ensure maximum utilisation of the indigenous technical know-how, the Government of India has laid down a procedure [*vide* O.M. No. TD-41 (23)/65, dated the 14th October, 1965] to be followed by the D.G.T.D. in dealing with the cases involving foreign technical collaboration which provide as under:

1. the CSIR to keep the officers in the DGTD fully informed of the results and progress made from time to time in industrial research and the working of pilot plants set up at the various national laboratories.

2. the representative of the CSIR at the meetings of the Licensing Committee or the Foreign Agreements Committee, to draw the attention to any indigenous know-how that may be available in place of the foreign know-how proposed to be procured.

3. in regard to cases which do not come up before the Licensing Committee, or the foreign Agreement Committee, the DGTD should make their recommendations only after ascertaining from the CSIR whether any indigenous know-how is available.

4. wherever indigenous known-how is available at the laboratory research or Pilot Plant stage, the DGTD should put the parties in touch with the CSIR. If the entrepreneurs express their unwillingness to utilise the indigenous know-how, the DGTD should examine the proposals on their merits and make their recommendations keeping in view the following criteria:

   (a) If the field is one in which plan targets are likely to be met by public sector units, the proposal may be recommended for rejection;

   (b) If, however, the field is one in which private sector capacity is required for the achievement of plan targets, and no indigenous know-how which has been commercially tried out is in fact available, and the development of the industry could not be delayed, the proposals for foreign collaboration should be considered favourably; and

(c) in the case of Public Sector Projects, utilisation of the indigenous technical know-how should be insisted upon, as far as possible, even if they are available at the laboratory research or pilot plant stage.

It has been stated that the above procedure is being followed to ensure maximum utilisation of indigenous know-how.

2. *Technical Information Centre for Chemical Industry*

The CSIR, in collaboration with the All-India Chemical Manufactures Association has established a 'Technical Information Centre for Chemical Industry' at Bombay. The Centre serves to disseminate information regarding available technical know-how concerning chemical and allied industries developed at the CSIR Laboratories, puts the interested parties in contact with the concerned Laboratories and takes other steps helpful in promoting utilisation in indigenous technical know-how.

C. Liaison between Research and Industry

5.10. The following are the principal steps stated to have been taken to maintain liaison between the Ministry of Industrial Development and Company Affairs Council of Scientific and Industrial Research Defence Research and Development Organisation and other industrial research organisations to ensure that foreign collaboration is not allowed for industries where indigenous know- how is available:—

(1) The Council of Scientific and industrial Research is represented on the Inter-Ministerial Committees which consider (1) applications for the issue of industrial licences and (2) applications for the approval of the terms of foreign collaboration. Suitable representation to the Council of Scientific and Industrial Research has also been given in the various Development Councils constituted under the Industries (Development and Regulation) Act, 1961.

(2) A Joint Committee for Research and Industry has been constituted by the Council of Scientific and Industrial Research under the Chairmanship of the Minister of Industry. This Committee periodically reviews the relations between research and industry and problems of utilisation of indigenous know-how and research.

(3) A Joint Committee of Council of Scientific and Industrial Research and the Directorate General of Technical Development has been formed for close and continuous liaison between these two bodies.

(4) Every national laboratory has a technical Information and Liaison Cell which has the specialised task of approaching industries, identifying their problems and ensuring a follow-up of sponsored research in the laboratories.

(5) The Secretary, Department of Atomic Energy is also a Member of the Foreign Agreements Committee and is associated with the meetings of the Foreign Agreements Committee and the agenda papers and proceedings of its meetings are being regularly sent to him.

D. Joint Standing Committee for Scientific Research and Industry.

5.11. A Joint Standing Committee for Scientific Research and Industry was constituted in 1956 by the Governing Body of the CSIR with a view to maintaining close and effective coordination and liaison with the Development Wing (now the Directorate General of Technical Development) and the C.S.I.R. The Committee held some meetings to evaluate the projects emanating from the national laboratories before they were passed on to the National Research and Development Corporation or any other agency for exploitation. The Committee was also expected to discuss such matters as merit the attention of Ministries concerned from the point of view of better utilisation of national resources.

5.12. Considering the importance of the Joint Standing Committee for Scientific Research and Industry, the Estimates Committee made the following recommendations in their 76th Report (2nd Lok Sabha)—

"(1) The Committee suggest that the strength of the Joint Standing Committee should be suitably augmented.

(2) The Committee regret to note that there has been slow progress and not much of active follow-up action in regard to the recommendations made by the Joint Standing Committee. They further suggest that the Joint Standing Committee should periodically review its previous recommendations and ensure that they are expeditiously implemented."

The recommendations were accepted by Government/C.S.I.R. in January 1961. The Joint Standing Committee was reconstituted in 1961 under the chairmanship of the then Minister for Industrial Development and Company Affairs. No meeting of the Joint Standing Committee was held thereafter till 31st July, 1965.

5.13. At the first meeting held on the 31st July 1965 the Joint Standing Committee approved the following terms of reference for the Committee—

(i) Determination of the overall requirements of research in relation to the industrial development plans of the country.

(ii) Indication of major areas for investigation or research projects on which research effort may be concentrated at a national level.

(iii) Relations between the organisations of industrial research and departments responsible for industrial development and planning.

(iv) Relations between research organisations and industry.

(v) Resources required for industrial research.

(vi) Policies on utilisation of the results of research.

5.14. When the Estimates Committee (Third Lok Sabha) took up the examination of National Physical Laboratory in 1965) they made the following observations in their 103rd Report (1965-66)—

> "The Committee are surprised that the Joint Standing Committee for Research and Industry which was sponsored by the C.S.I.R. itself in 1956 with laudable objectives for forging coordination with D.G.T.D. should have been put into cold storage even though the recommendation of the Estimates Committee for its effective functioning which was made in 1960 had been accepted by the Government. The Committee note that while C.S.I.R. is trying for representation on committees of D.G.T.D. so as to farm out fruitful researches for commercial exploitation, it could not make any use of the machinery set up by itself for the same purpose. The Committee recommend that the Joint Standing Committee should be activised and should deliberate at least twice a year and should also periodically review its previous recommendations so as to ensure that they are expeditiously implemented."

5.15 The Committee desired to know whether any meeting of the Joint Standing Committee for Research and Industry had been held since the above recommendation. In reply, Government have only referred to the 1st meeting of the reconstituted Joint Standing Committee held on the 31st July, 1965.

E. Committee for Utilisation of Research Results and Coordination with Department of Technical Development

5.16. Besides Joint Standing Committee for Research and Industry, there is another "Joint Committee for Utilisation of Research Results and Coordination with Department of Technical Development" on which both G.S.I.R. and D.G.T.D. are represented. This Committee

was constituted in 1964 and since then it has held only one meeting on the 13th March, 1964. The following conclusions were arrived at that meeting:—

1. The CSIR would be supplied copies of applications for industrial licences as soon as possible after their receipt.

2. The CSIR should keep the Development Officers and Industrial Advisers in the D.G.T.D. informed of the researches being carried out and projects undertaken in various Laboratories regularly and in a systematic manner;

3. The CSIR would send a list of its National Laboratories to the Director General, Technical Development, who would nominate representatives from the DGTD on the Executive Councils of the National Laboratories.

4. Periodic meetings should be held between the representatives of the CSIR and the DGTD to review the progress of coordination and devise further measures as necessary.

5. The DGTD would send a list of the Development Councils and Panels to the CSIR who would nominate its representatives on these bodies.

5.17. The Committee are glad to note that some measures have been taken in recent years to effect close co-ordination between the C.S.I.R., D.G.T.D. and the Licensing Committee in order to make sure that foreign collaboration is not allowed in cases, where indigenous know-how is available. The Committee, however, are constrained to note that the Joint Standing Committee for Scientific Research & Industry and the Joint Committee for Utilisation of Research Results and Co-ordination have not been functioning effectively. In fact, only one meeting of the Joint Standing Committee for Scientific Research and Industry and one meeting of the Joint Committee for Utilisation of Research Results and Co-ordination have been held on the 31st July, 1965 and 13th March, 1964 respectively. The Committee feel that these Joint Committees should be made more effective. These Committees should meet at least once in six months, if not once a quarter and that there should be a regular follow-up of the decisions taken at these meetings. The Committee see no reason why the Council of Scientific and Industrial Research, which is the convener for these two important Committees, should not show sustained interest in holding these meetings.

5.18. The Committee would also suggest that careful assessment should be made at periodical intervals, say once a year, of the practical use to which the know-how developed by the national laboratories is put so as to remove all impediments in the exploitation of these processes, as also reorientate research programme in the light of actual requirements of the industry.

VI

FOREIGN COLLABORATIONS

A. Participation of Foreign Capital in Industries

6.1 The basic policy statement on foreign capital still continues to be the late Prime Minister Nehru's statement in the Parliament on the 6th April, 1949 (Appendix XIV). The statement assures foreign investors of a non-discriminatory treatment once their investment has been approved by the Government. It assures them complete freedom in the matter of remittance of capital subject to India's foreign exchange situation fair and equitable compensation in the event of nationalisation. It, however, expresses the Government's desire to have major interest in ownership and effective control in undertakings in Indian hands.

B. Foreign Collaboration Agreements

6.2. A statement giving the number of collaboration agreements entered into year-wise and industry-wise during the period from 1951 upto 1965 is at Appendix XV. The table below gives a summary of the statement:—

Type of Industry	Agreements approved during 1951-65
1	2
1 Food Manufacturing Industries except Beverage Industries	17
2 Manufacture of Textiles Spinning, Weaving and Finishing of Textiles	104
3 Manufacture of Artificial Fibres	13
4 Manufacture of Wood & Cork except Manufacture of Furniture	11
5 Manufacture of paper—paper products	42
6 Manufacture of Basic Industrial Chemicals including Fertilisers	77
7 Manufacture of Vegetable & Animals Oil and Fats	2

1	2
8 Manufacture of Miscellaneous Chemical products	296
9 Manufacture of Glass and Glass Products	46
10 Manufacture of Pottery, China & Earthenware	18
11 Manufacture of Cement	25
12 *Basic Metal Industries* :	
Iron and Steel	57
Non-Ferrous Metals	22
13 Manufacture of Metal Products except Machinery and Transport Equipment	147
14 Manufacture of Machinery except Electrical Machinery	499
15 Manufacture of Rail-Road Equipment	46
16 Manufacture of Motor vehicles & Ancillaries	200
17 Manufacture of Electrical Machinery, Apparatus, Appliances & supplies	379
18 Manufacture of Bicycles	20
19 Miscellaneous Manufacturing Industries	401
20 Electric Light & Power	24
21 Electricity, Gas & Steam	21
22 Mining and Quarrying :	
(*i*) Coal	3
(*ii*) Store Quarrying Mineals	27
(*iii*) Petroleum & Natural Gas	5
23 Hotel Industry	—
24 Miscellaneous	171
TOTAL	2667

It will be seen from Appendix XV that the number of foreign collaboration agreements entered into during 1951-1958 ranged between 52 to 104 but the position particularly changed in subsequent years when the number rose from 104 in 1958 to 392 in 1961.

6.3. Asked during evidence whether Government had drawn up a list of specific industries where foreign collaboration would not be allowed in future, the representative of the Ministry of Industrial Development and Company Affairs stated that "In some of these well-established industries like cement, sugar etc. no foreign collaboration is allowed. Apart from that we are engaged in an exercise of drawing up a list of industries in which foreign collaboration may not be allowed."

Vetting of Applications for Foreign Collaborations

6.4. The various aspects of a foreign collaboration proposal which the administrative ministries are required to consider are:—

(i) Whether capacity in the particular field of industry is required to be developed having regard to the Plan targets;

(ii) Whether the technology involved is not indigenously available;

(iii) Whether the import of capital goods involved is of such a high order that without the collaboration proposal the implementation of the scheme would involve an avoidable drain on the foreign exchange resources of the country.

(iv) Whether the approval of the collaboration will jeopardise the industries already existing in that particular field or in associated fields of industry;

(v) Whether the proposal would involve any undue exploitation of foreign patents, trade marks and brand names etc;

(vi) Whether the manufacturing scheme proposed fits in with our policy both in respect of availability of raw materials and components; and

(vii) Whether the products to be manufactured are exportable and if so whether the collaboration will accelerate or increase our export potential; and

(viii) the duration of agreement should normally be 5 years (This condition has been evolved only very recently).

6.5. It will be seen from Ministry of Finance O.M. dated 18.1.1964 (Appendix XVI) that the Department of Economic Affairs have

delegated certain powers to the administrative ministries to approve terms of collaboration without the necessity of referring each such case to the Ministry of Finance (D.E.A.). The Ministries|Departments concerned to whom the Ministry of Finance have specifically delegated powers can, without proir reference to the Department of Economic Affairs, issue approval in cases subject to certain limitations.

Out-flow due to Foreign Collaboration Agreements

6.6. The Committee desired to know the total amount paid to foreign collaborators for consultancy and design work during each of the Plan periods. The Ministry of Industrial Development and Company Affairs in a written note furnished to the Committee have stated that "Payments to foreign collaborators for consultancy and design work as such are not available. The only available data relate to royalty, technician and other professional fees during the Second and Third Plans."

6.7. The table below shows the remittances made abroad on account of these payments for the years 1956-57 to 1965-66.

(Rs. crores)

Year	Royalty	Technician & Other Professional service fees	Total
1956-57	1·2	5·5	6·7
1957-58	0·9	4·7	5·6
1958-59	1·3	4·4	5·7
1959-60	1·8	5·8	7·6
1960-61	2·5	9·2	11·7
TOTAL	7·7	29·6	37·3
1961-62	2·4	13·1	15·5
1962-63	3·6	13·1	16·7
1963-64	4·6	12·4	17·0
1964-65	4·1	18·9	23·0
1965-66	3·0	20·9	23·9
TOTAL . .	17·7	78·4	96·1

The above payments are stated to be subject to the following limitations:—

(i) Upto the end of September, 1964 royalty payments comprised of all payments in connection with patents, trade

marks etc., as well as rentals (other than on real estate). From October, 1964, the series had been revised to present a more accurate picture of payments on account of technical collaboration, and royalty exclusively relates to recurring payments linked to output or sales.

(ii) Upto 1964-65, the figures for technician and professional service fees which do not strictly come under the purview of technical collaboration payments.

(iii) The 1965-66 figures, perhaps, present a more accurate picture of technical collaboration payments and consist of (a) royalty (b) technical know-how fees and (c) technician fees.

6.8. Asked during the evidence to indicate the outgo of foreign exchange as a result of the working of the foreign collaboration agreements since 1950-51, the representative of Ministry of Industrial Development and Company Affairs stated that "So far as outflow of foreign exchange is concerned, the Reserve Bank is undertaking a study. We are told that it may take 2-3 months more to conclude that study. Unless their report is received, it may not be possible to give that information." The Additional Secretary of Ministry of Finance, while supplementing the reply, stated that "So far as foreign exchange outflow is concerned, the outgo takes place through banks and all the statistics are kept by the Reserve Bank. They do not maintain statistics agreement-wise. It is only the total figure that is available under various categories. Therefore, it may not be possible to give the outgo for all the agreements separately which have been entered into in particular years."

Review of Collaboration Agreements

6.9. The Committee have been informed that "A review of the foreign collaboration cases approved during the past two years was recently made. It was found that by and large the collaborations were in fields where these are considered necessary and that no revision of policy is necessary at present."

6.10. Asked during evidence whether a review of the cases in which foreign collaboration had been allowed without proper consideration of the relevant factors, had been entrusted to the Economic Secretaries Committee the Secretary of the Ministry of Industrial Development and Company Affairs stated that "It was an informal meeting between the Cabinet Secretary and the Prime Minister's Secretary with which I was also associated. Somehow it got reported in the press. It was not a formal committee. The discussions were only informal."

6.11. Asked further during evidence whether the administrative Ministries submitted any periodical statements about the foreign collaboration agreements to Cabinet Secretariat and the Planning Commission, the Secretary of the Ministry of Industry stated that "It is not the normal practice to send them copies of all agreements entered into.....The Planning Commission is represented on the Foreign Agreements Committee."

6.12. The Committee would like Government to make a most careful review of the guidelines for approval of collaboration agreements, having regard to the present state of development of industrialisation in the country, the foreign exchange resources available with special reference to the critical balance of payment position, the need for encouraging exploitation of know-how developed in national laboratories and other research institutions etc. The Committee would urge Government to identify in detail the industries where foreign collaboration is no longer necessary, as also to indicate areas where foreign technical know-how and designing would be welcome. Government may also examine the question of laying down a minimum percentage of goods to be exported after the establishment of an industrial unit with foreign collaboration. It may also be considered whether the payment of royalty as also repatriation of dividends should be allowed only through export earning of the units. It would be helpful if, Government could identify processes for which it would be better in the overall interest, to purchase outright the knowhow for indigenous exploitation rather than burden the unit with recurring royalty.

6.13. The Committee have no doubt that Government would also afford necessary facilities to reputable Indian firms to establish manufacturing units in under-developed areas particularly in Africa, South East Asia, Middle East, etc. so that Indian technology, know-how and experience can be put to effective use in the interest of development of economies of other countries as also to earn valuable foreign exchange.

C. Foreign Agreements Committee

6.14. The Inter-Ministerial Committee, commonly known as the Foreign Agreements Committee, which considers* applications for foreign collaboration was set up in January, 1959. Its present composition is as below:—

1. Secretary (Industry)—Chairman.

*Prior to the constitution of Foreign Agreements Committee, the applications were considered by the Ministry of Finance in consultation with the Ministry of Industry and other technical authorities concerned.

2. *Members*:

1. Special Secretary, Ministry of Industrial Development and Company Affairs.
2. Secretary, Ministry of Supply, Tech. Dev. & Materials Planning.
3. Secretary, Deptt. of Defence Supply, Ministry of Defence.
4. Additional Secretary, Ministry of Finance (DEA).
5. Adviser (I&M), Planning Commission.
6. Secretary, Deptt. of Atomic Energy.
7. Joint Secretary, Company Law Administration Division Ministry of Law.
8. Joint Secretary, in charge of foreign collaboration in the Ministry of Industrial Development and Company Affairs.
9. Controller of Capital Issues, Ministry of Finance (DEA).
10. Chief Controller of Imports & Exports.

6.15. The role of the Foreign Agreements Committee is to consider proposals for foreign collaboration which are referred to the Committee by the administrative Ministries concerned either because they are outside the delegated powers of the administrative Ministries or for the reason that the collaboration proposal presents certain peculiar features requiring Inter-Ministerial guidance.

6.16. It has been stated that since its inception in 1959 the Foreign Agreements Committee had met on 110 occasions upto the 30th June, 1966. In reply to a question, the Ministry of Industrial Development and Company Affairs have informed the Committee that the "Secretary, Department of Atomic Energy (who is a member of the Committee), did not attend any meeting of the Foreign Agreements Committee during the last 2 years". The number of cases considered by the Foreign Agreements Committee during the years 1963 to 1965 is as below:—

1963	44
1964	142
1965	136

6.17. The Committee desired to know in how many cases the recommendations of the Foreign Agreements Committee were re-

vised (i.e. an application recommended for approval of agreement was rejected or/an application recommended for rejection was accepted) at higher level during each of the last three years. The Ministry of Industrial Development and Company Affairs in a written note have furnished the following information:

> "Cases relating to the year 1965 have been looked up. There are no cases where the Foreign Agreements Committee had not recommended an application for foreign collaboration and where it was decided at higher level that the application should be allowed. There are, however, a few cases where the Foreign Agreements Committee recommended approval of collaboration and it was decided at higher level that the terms should be made stricter such as reduction in the period of duration of the agreement etc."

6.18. The Committee note that the Council of Industrial and Scientific Research which has up-to-date information on the development of indigenous know-how is not* represented on the Foreign Agreements Committee. They also note that the Secretary of the Department of Atomic Energy, who is a member of the Foreign Agreements Committee, has not attended any meeting of that Committee during the last two years. The Committee would suggest that the composition of the Foreign Agreements Committee may be reviewed to ensure that only those members are appointed whose continuous and actual participation would help in the deliberations of the Committee. Representatives of other ministries/organisations may be invited to attend the meetings of the Foreign Agreements Committee as and when particular subjects of their concern come up for discussion.

Delay in disposal of applications

6.19. An eminent industrialist in his evidence before the Committee has alleged delay in the disposal of applications for foreign collaboration. He has stated during evidence that "What is happening today is that any one proposal has to go round perhaps two dozen departments before the thing is finalised. It has to go to the Director-General, Technical Development. It has to go to the Railways. It has to go to the Finance; it has to go to the Planning Commission, then to the Licensing Committee, so on and so forth.

*At the time of factual verification of the Report, the Ministry of Industrial Development and Company Affairs have stated that C.S.I.R. is already represented on the Foreign Agreements Committee.

My own view was that if Government had a Committee in which all the relevant Ministries are represented and if it meets once a week or a fortnight and the file may be put up before them and everybody will say 'Yes' or 'No' and then take a decision on that and finish with it instead of the file going round each place, I think things can be expedited."

6.20. Another non-official organisation has stated that "broad outline of policy indicated by Government and differently interpreted and applied by various officials at different levels in different departments, confuses the whole system and leads to irregularities which disturb the climate for industrial progress. The conditions related to foreign participation, for example, are taken note of first by the Licensing Committee before Foreign Agreements Committee or CG/HEP Committee put them to greater scrutiny. Even so it would appear that the CCI can raise difficulties and postpone the implementation of the project. There is over-scrutiny of applications at different points without effective co-ordination and an undesirable diversification of the control machinery."

6.21. Asked to indicate the normal time taken in deciding applications for foreign collaboration, the Ministry of Industrial Development and Company Affairs have stated that "This varies from case to case. If the information furnished by the party is complete in all respects, it should normally not take more than 3 months in deciding applications for foreign collaboration."

6.22. In a note subsequently furnished to the Committee Government have furnished the following break-up of the time taken upto 6 months, between 6 months and one year and more than one year in deciding applications for foreign collaboration during the last 2 years:—

		1965	1966
1	Total number of applications for foreign collaboration decided during the years 1965 and 1966	264	226
2	No. of applications out of (1) above which were decided within 6 months. . . .	153	138
3	No. of applications out of (1) above, which were decided between 6 months and a year. . .	79	51
4	No. of applications out of (1) above, which were decided after more than a year.	32	37

It has been stated that the time taken in deciding application has been taken as from the date of the receipt of the application from the party to the date of the communication of Government's decision to the party.

6.23 The Committee regret to note that there is considerable delay in finalising applications for foreign collaborations. As many as 42 per cent applications in 1965 and 39 per cent in 1966 remained undecided after 6 months of their receipt. Out of these, over 12 per cent in 1965 and over 16 per cent in 1966 were decided after more than a year. It would appear that strict watch is not being kept over the time taken in the disposal of these applications. As delays in the disposal of applications for foreign collaboration are likely to create uncertainty and hesitancy in the minds of prospective investors, the Committee would urge that the whole procedure for securing consent of Government to investment and foreign collaboration may be gone into with a view to make it simplified and less time-consuming.

D. Foreign Trade Marks and Brand Names

624. It has been stated that one of the considerations for allowing foreign collaboration is to see whether "it would involve any undue exploitation of foreign patents, trade marks and brand names, etc." Asked during evidence about Government's policy in allowing foreign brand names like Quink, Ovaltine, Woodwards Gripe Water, B.G. Phos, Horlicks, Forhan's Tooth-paste etc., the Secretary of the Ministry of Industrial Development and Company Affairs stated that "The general policy is that where it is felt that the use of the brand name is expected to damage Indian entrepreneurs we do not generally allow it. Where there is no such angle involved there is really no objection to it."

6.25 As to whether Government had received any representation of foreign trade marks and brand names for which Indian substitutes were available, the Ministry of Industrial Development and Company Affairs in a written note have stated that:

> "There have been a few cases in which representations of this nature have been received.
>
> Government's general policy now is not to allow the use of foreign brand names in consumer goods industries. In general, where the use of such brand name will

adversely effect the small scale sector or the indigenous industry, the current policy is not to allow this."

6.26. The Committee cannot too strongly stress that the use of foreign brand names particularly in consumer goods should not be generally allowed as it is apt to adversely affect the indigenous industry. . . ..

VII

CONTROL IN RESPECT OF MANAGEMENT, PRODUCTION DISTRIBUTION AND PRICES OF ARTICLES

A. Management of Industries

7.1. Regulation of the form, organisation and management of individual industrial units is an important aspect of industrial regulation. In the U.S.A., Britain, and France the problem of industrial regulation has predominantly revolved round the preblem of suitable organisation and management for industrial units. In India, these problems have not yet assumed an acute form but careful watch on them is nonetheless necessary. In India. the problems mainly are those of concentration of managerial control, high managerial remunerations leading to inequalities of wealth and the size of the companies.

7.2. The Companies Act, 1956 is the legal instrument for regulating the form, structure, organisation, and management of industries. The Companies Act is not entirely a piece of industrial regulations but quite a number of provisions of the Act affect industries. In some ways the Companies Act is an even more important regulatory measure than the Industries (Development and Regulation) Act, because the broader objective of industrial regulations such as sound management and capital structure for Companies from their formative stages, a sound system of internal management, the prevention of concentration of economic power and the broad-basing of industries are more directly achievable under the Companies Act than under the Industries (Development and Regulation) Act.

Investigations into the working of Industrial Units

7.3. Section 15 of the Industries (Development and Regulation) Act empowers the Central Government to make or cause to be made a full and complete investigation into the working of scheduled industries or industrial undertaking or undertakings if they are opinion that—

"(i) there has been, or is likely to be, a substantial fall in the volume of prduction in respect of any article or class of articles relatable to that industry or manufactured or produced in the industrial undertaking or undertakings, as the case may be; for which having regard to the economic conditions prevailing there is no justification; or

(ii) there has been, or is likely to be, a marked deterioration in the quality of any article or class of articles relatable to that industry or manufactured or produced in the industrial undertaking or undertakings, as the case may be, which could have been or can be avoided; or

(iii) there has been or is likely to be a rise in the price of any article or class of articles relatable to that industry or manufactured or produced in the industrial undertaking or undertakings, as the case may be, for which there is no justification; or

(iv) it is necessary to take any such action as is provided in this Chapter for the purpose of conserving any resources of national importance which are utilised in the industry or the industrial undertaking or undertakings, as the case may be; or

(b) Any industrial undertaking is being managed in a manner highly detrimental to the scheduled industry concerned or to public interest."

7.4. A statement showing the investigations ordered into the working of the scheduled industries or industrial undertakings by Central Government under the above Section during the period 1961 to June, 1966 is given in Appendix XVII. The following table summarises the information year-wise:—

Year	Number of investigations
1962	4
1963	1
1964 ..	Nil
1965	15
1966 (upto June)	13

Out of the 33 industrial undertakings, 28 are cotton textile Mills, 3 sugar Mills and one each jute Mill and Bicycle factory.

7.5. The Committee have been informed that "The reasons for the larger number of investigations that had to be ordered during 1965-66 are the crisis in the country due to the Indo-Pakistan conflict and the accumulation of stocks of cloth and yarn with the mills as a result of the poor offtake of cloth particularly in areas adjacent to the border. This has resulted in financial trouble for the mills

and the situation was aggravated by the credit squeeze. Many weak mills could not in these circumstances make the sustained effort to remain in production and were closing or curtailing activity. There has been some consumer resistance also, due principally to the fact that the majority of the consumers had to spend a large proportion of their income for the purchase of foodgrains and could spare less for buying cloth. This situation is still persisting."

Industrial undertakings taken over for direct management by Central Government.

7.6. A statement showing the industrial undertakings which have been taken over for direct management or control by the Central Government under powers conferred by Chapter III-A of the Industries (Development and Regulation) Act, 1951, is at Appendix XVIII.

7.7. The reasons for Central Government taking over the control of these industrial units are also shown in the statement. These are generally as under:—

(i) Financial troubles encountered by the management and thereby a financial breakdown;

(ii) Huge losses due to high cost of production and poor realisation and incompetent management;

(iii) On unemployment relief scheme basis to provide for the local labour who depend on the employment provided by the mills.

7.8. It has been stated that of the 15 industrial undertakings taken over, order made under section 18A in respect of M/s. R. B. Lachmandass Sugar and General Mills (P) Ltd., Jarwal Road, was cancelled on the 28th September, 1964 under Section 18-F of the Act. The facts of the case are briefly stated to be as under:—

> "Before the Government could take over the management, the management had instituted a suit for restraining the Government from taking over the management and obtained a permanent injunction from the Supreme Court. Ultimately the management entered into an agreement with the State Government of U.P. for liquidating the arrears and thus the order was withdrawn."

7.9. It has been represented to the Committee by a non-official organisation that "several textile units have been taken over by Management under Chapter 3(A) of the Act with benefits to the Society where the continued production has been possible. However,

selection of personnel in the management has not always been happy, in view of the fact that these personnel are over-loaded with work or are being committed to pressure from various sides. The appointed management by the Government should be free to act as a free management without any outside pressure to be really effective. There is a case of one large group of mills in Bombay."

7.10. It has been represented to the Committee by a financial corporation that "some projects encountered serious difficulties during construction stage due to reasons such as substantial overruns in the project costs, mis-management, death of the principal promoter etc. If a project cannot be completed for any reason after substantial amounts have been spent on it, the whole expenditure would prove infructious resulting in financial loss to the shareholders, the financial institutions etc." The corporation has accordingly addressed the Committee to consider the "feasibility of Government assuming powers for taking over management of projects not only those which have gone into production, but also those which are yet in the construction stage, and are suffering due to mismanagement death of the principal promoter etc."

7.11. Asked during evidence as to how Government managed the affairs of the units after taking them over the representative of the Ministry of Industrial Development and Company Affairs stated that the "The normal procedure is that we appoint either an authorised controller or a General Manager to look after the units. In certain other cases, we appoint boards of management, as for instance, in Jessops and certain other textile mills. They look after the working of the units." In reply to another question, it has been stated that no complaints about inefficiency or mala-fides of the persons selected for managing the companies had been received. The representative further informed the Committee that since 1962, 13 companies, mostly textile and sugar mills, had been restored to the original owners.

7.12. The Committee note that it is mostly textile and sugar mills of which direct management has been taken over by Government. It would seem that the machinery in these mills is old and needs replacement and rationalisation for some time. While the Committee agree that the defaulting industrial undertakings should be taken over by Government in accordance with the provisions of the Industries (Development and Regulation) Act in the public interest, they would emphasise that before taking over, Government should probe thoroughly and expeditiously into their working

with a view to afford all facilities, including financial assistance by way of loans, if necessary, to such units as are defaulting or have become uneconomical due to obsolete machinery/equipment, high cost of imported components, non-availability of scarce raw materials etc.

7.13. In order that the units taken over are reorganised and run on sound and economic lines, the Committee would like to be ensured that only such personnel as have adequate knowledge and experience of the working of the units concerned are appointed. This, the Committee feel, would hasten the handing over of the units concerned back, after rehabilitation, to the existing or alternative management of the shareholders within the prescribed period. The Committee furtbher suggest that in the interest of smooth and efficient functioning the feasibility of association of workers in the management set up by Government may be examined.

7.14. The Committee also recommend that the desirability of Government assuming powers for taking over management of projects which are yet in the construction stage and are suffering due to mismanagement, death of the principal promoter, etc. may be examined so as to ensure an effective control over them from the very beginning.

B. Control over Production, Distribution and Prices of Commodities

7.15. Control over production, distribution and prices of commodities produced by industries is as vital as the regulation of the pattern of industrialisation itself. All the three Five Year Plans have consistently advocated continuance of control on industrial commodities. The Commodity Controls Committee which went into this question also emphasised the need for continuance of commodities control.

7.16. Originally, the powers to control distribution and prices were applied under the Defence of India Rules during the Second World War. These powers lapsed in 1946. To meet the post-war conditions, the Essential Supplies (Temporary Powers) Act was enacted that year. It was followed by the Supply and Prices of Goods Act, 1950. These Acts were of temporary nature and, therefore, a further Act had to be enacted, *viz.*, the Essential Commodities Act, 1955, to put commodity controls on a firm footing.

Control over Distribution of certain Articles

7.17. The following is the list of articles or class of articles of scheduled industries whose supply, distribution, price, etc. have been

controlled by the Central Government in terms of powers vested in them by Chapter III-B of the Industries (Development and Regulation) Act, 1951:—

Motor Cars

Scooters

Commercial Vehicles

Ethyl Alcohol

Molasses

Cement (De-controlled with effect from 1-6-1966).

7.18. Asked during evidence to state the considerations on which the sale and distribution of the above articles had been controlled, the Secretary of the Ministry of Industrial Development and Company Affairs stated "The considerations are different in different cases. In the case of motor cars and scooters, for instance, it will be the shortage of supplies against a very large demand. For commercial vehicles also, partly that will be the consideration and partly the importance of it to the economy of the country. As regards ethyl alcohol and mollasses, it is a question of making sure that there is no diversion from proper industrial uses to other less-priority uses. So, there are different considerations in different cases relating to price control and distribution control of various commodities under the Industries Development and Regulation Act". About molasses it was stated that "Part of the reason is, its export and supply for power alcochol. They supply to distilleries also. There are three end-uses; one is for power alcohol, the second is for distillaries and the third is for export." Asked to indicate the percentage of increase in the production of motor cycles and scooters, the Special Secretary of the Ministry of Industrial Development and Company Affairs stated that "It is going to take a little time for any impact to be felt because the licences have been issued only now. Components have to come, the indigenous production is to be increased and all that. My own feeling is that you will see the full impact of it during 1967. I think, we should nearly double the production."

7.19. About motor cars, he added "Cars are very nearly being produced to full capacity. For instance, the assessed capacity of Hindustan Motors is about 10,000 to 12,000 cares. Actually they are producing more than that. Then, there is the other unit which is producing cars this year, more or less, to their capacity. So there is not much of under-utilisation of capacity as such at the present moment". It was added that "Given adequate foreign exchange, I

think, the three units, between them, can produce very nearly 30,000 cars today".

Allotment of Controlled Commodities

7.20. According to Rule 21 of the Registration and Licensing of Industrial Undertakings Rules 1952, "the owner of an industrial undertaking in respect of which a licence or permission has been granted shall be eligible to the allotment of controlled commodities required by him for the construction or operation or for both construction and operation of his undertaking on such preferential basis as the Central Government may determine from time to time. In determining such preference the Central Governmnt shall have due regared to the requirements of existing industrial undertakings."

7.21. Asked during evidence in October, 1966 to state the nature of arrangements made or facilities extended for the allotment of controlled commodities, the Committee have been informed that "Once licence is given, D.G.T.D. looks after for ensuring the requirements of controlled commodities for the industry if the industry has come into production, for its operational requirements. It depends upon the importance attached by Government to the importance of the particular industry to the national economy. Certain industries are considered more important than others. We have recently published a list of 59 industries which we call priority industries where practically the full foreign exchange requirement will be met. Other industries which we regard as low priority industries are there and they do not get the same preferential treatment. As between the units in the same industry no preference is exercised and all are treated alike." The Committee have been further informed that "For small scale industries in the priority sectors, the assessment of their full requirements would have otherwise caused difficulties. There are thousands of units and they would have been at same disadvantage. What we have done is this. Any small scale industries belonging to this 59 list, would automatically be entitled to 3 times the import licence it obtained for 1964-65 and when it has used the licence, that is, when it has placed orders or when it has imported 70 per cent of the goods it can come up for supplementary licence. Its full requirements are met."

7.22. When the attention of the Government representatives was drawn to the observation made in the Estimates Committee Reports (105th and 106th, 3rd Lok Sabha) and Lokanathan Committee Report about the difficulties experienced by the small scale industries in the matter of scarce materials, the Secretary of the Ministry of

Industrial Development and Company Affairs stated that "Having regard to the observations, we have changed the situation quite radically. Probably the balance is tilted in favour of small scale as against large scale units. For non-priority sector every small scale unit can get twice the amount of foreign exchange that it got in 1964-65, whereas that is not the position in large scale sector in the non-priority industries." The Economic Adviser of the Ministry of Industrial Development and Company Affairs supplementing the reply stated that "The arrangement now is that where a unit was not in existence in 1964-65 or 1965-66 the concerned Director of Industries can certify the essentiality on the same basis as would have been applied in 1964-65. Small scale industries will get the benefit irrespective of whether there were differences between States in the past or not".

7.23. In a written note furnished to Committee in January 1967, the position regarding allotment of controlled commodities to licensed undertakings has been further stated as under:—

"D.G.T.D. make an assessment of the total requirement of different controlled commodities required by different entrepreneurs borne on their list periodically. This requirement is transmitted to appropriate ministries like the Ministry of Steel, Ministry of Mines & Metals, Ministry of Industry, etc. for bulk allocation in favour of D.G.T.D.

On receipt of this bulk allocation a quantum is distributed between various industries. All units in a particular industry are treated alike and they are allotted on a *pro rata* basis, depending on the actual allocation for the industry as a whole and the total assessed requirements of all the units engaged in that particular industry".

Cost of production

7.24. Under Section 12(d) of the Tariff Commission Act, 1951, Government can request the Tariff Commission to undertake a full-scale price enquiry into the cost of the product of any industry with a view to establishing the cost of the production and to recommend fair ex-factory and wholesale prices. The following are some of the products in respect of which an enquiry was undertaken by the Tariff Commission at the request of the Government:—

(i) Preserved fruits and vegetables.

(ii) Safety Matches.

(iii) Electric Lamps, & Flourscent tubes.

(iv) Sheet Glass

(v) Antimony metal

(vi) Cotton Yarn and cloth

(vii) Catguts

(viii) Alcohol

(ix) Automobiles as well as major ancillary industries of automobiles.

7.25 It has been stated that the recommendations made by the Tariff Commission were duly considered by the Government and appropriate action was taken to fix fair selling price etc. in the light of the recommendation of the Tariff Commission.

Scrutiny of cost of production

7.26. The Committee desired to know if at the time of approving applications for industrial licensing the costs of production are also scrutinised with a view to see that they are not higher than the ex-factory or c.i.f. costs of similar products in other countries.

The Ministry of Industrial Development and Company Affairs stated that except in special cases, the costs of production were not scrutinised at the time of approving applications for industrial licences.

7.27 During evidence the Secretary of the Ministry of Industrial Development and Company Affairs has stated that "In the case of certain large projects and important large industries, we do go into the costs of production. For instance, in the case of the fertiliser industry, we went into the costs of production in each industry or with respect to each application." In reply to another question, the representative of the Ministry admitted that "the capital cost in many of our industries is higher because some of the equipment has still to be imported," but added that "On an international comparison, the American equipment is always costlier; but many of their items of equipment have also got a better and a longer life and better servicing facilities for spares and things like that. These are some of the advantages. But very often with the tied credit arrangements that we have, we are not always in a position to choose the equipment even for units in the private sector." Asked whether it was true that sometimes lower quality equipment and machinery even at higher cost had to be accepted, the Special Secretary of the Ministry stated that "Not lower quality. I would not say that. We were only speaking about the comparison of costs. Very often when there is tied credit, we are oblige to purchase a particular equipment for a particular industry or a particular unit from the particular country. Suppose only Italian credit is available and we buy from Italy; if we bought it with free foreign exchange even from Italy itself, the price would be lower, but when

anything is bought from any country under tied credit, then they put up the prices."

Adherence to original estimated cost of production

7.28. Asked during evidence whether the entrepreneurs had been able to stick to the estimated cost of production as given in the applications, the Secretary of the Ministry of Commerce informed the Committee as under:—

"As far as I know, the form itself has been in existence for a long time. In any case the procedure for asking the applicant to give full details of the phased programme has been in operation—I have personal knowledge—at least since 1958; it must have been there even earlier than 1958. What may have happened is—I am not quite sure—in 1962 or 1963 the form itself might have been made somewhat more detailed. On the point which is worrying you at this moment, I may say that more detailed information will be provided by the DGTD. But one of the essential functions of that Directorate has been to ensure that every industrial unit conforms strictly to the programme of phased manufacture which they give and in this particular case at least Government has got an immediate and effective sanction because the industrial unit concerned does not obtain the licence except after the DGTD and the Ministry concerned satisfy themselves fully that there were reasons beyond the control of the units which forced them not to adhere to the phased programme of manufacture. Even then a time limit is given and he is told that for the next six months he would be given so much amount of foreign exchange and after that he will not be given any such facility."

7.29. Asked further whether any continuous watch was kept over the costs of production of the industries, the representative of the Ministry of Industrial Development and Company Affairs stated that they did not kept a continuous watch on the cost of production, but when any special rise in prices took place or any complaints were brought to their notice, they did investigate and had enquiries made. It was added that "to give one recent example, we have been examining the prices of tractors. We found that certain margins are higher than what they should be, and we are fixing the prices after cost examination by the Chief Cost Accountant. We are almost completing that exercise now."

Control of prices by Associations of Industry

7.30. In reply to a question whether it had come to the notice of the Ministry that many of the associations of the industrialists indirectly controlled the prices, the Secretary of the Ministry of Commerce stated that "As far as I know, no association has the power to fix the price for any commodity. This is a free country and if industrial units sometimes arrive at an understanding in regard to this matter it is difficult for us to control. But in cases in which it comes to our notice that the price rise is undue and the product is of interest to the masses, then under the Essential Commodities Act a rough and ready review is made in regard to this matter and, either informally or formally, an atempt is made to control the price. This is what we have been trying to do, more so over the last six months and to a certain degree we have succeeded in having good result."

Imbalance between Prices of Agricultural and Industrial Products

7.31. About the imbalance between the prices of agricultural products and industrial products, the Secretary of the Ministry of Commerce stated that "In actual fact perhaps it can be said that while it has been easier for the Government to moderate the rise in prices of industrial products; it has not been possible to moderate it in the case of agricultural products." In reply to another question he added that "It is not merely the Economic Affairs Committee, but from time to time the Department of Industries themselves have been doing it, not merely for the last six months but over the last so many years. When the manfacturers put up prices, the facts get known whether they intimate or not and the Department of Industries constantly send for them and appeal to them and at times use the legal powers to see that the price rise in the case of essential commodities is kept as low as possible and that is the reason why the rise in the prices of industrial products has been more limited than the rise in the case of products in respect of which Government do not have any adequate machinery to check any price rise."

Price of Import Substitute

7.32. The Committee desired to know whether at the time of granting licence for manufacturing an import substitute Government ensured that the price of the import substitute would not be higher than the price of the imported material, the representative of the Ministry of Industrial Development and Company Affairs stated that "Not necessarily. The major consideration is the saving of foreign

exchange. If there is a slight increase in the price, that has to be put up with."

7.33. Asked whether Government had ever examined as to why the price for the manufacture of import substitute should not be at par with its imported price or whether they had any phased programme to bring it down gradually, the Secretary of the Ministry stated that certainly, that aspect was always taken care of. The Economic Adviser of the Ministry while supplementing the reply added that "The cost of production (in the country) is quite often high. But in the case of many commodities which have been studied by the Tariff Commission the margin between internal and external prices has got narrowed down over successive tariff inquiries."

Cost Structure of Public Sector Industries

7.34. About keeping a watch on the cost structure and the target dates of commissioning of Public sector industries, the representative of the Ministry stated during evidence that "Each Ministry keeps a target date for the public sector industries for which it is responsible. It is done by all Ministries like Ministry of Industrial Development and Company Affairs, Ministry of Steel, Ministry of Petroleum and Chemicals etc." In this connection, attention was drawn to the case of Ranchi Heavy Engineering Corporation which, according to the Committee, should have gone into commission much earlier. Explaining the position, the special Secretary of the Ministry of Industrial Development and Company Affairs stated that "the Heavy Engineering Corporation now consists of 3 units; to begin with, it consisted of 4 units—the Heavy Machine Building Plant in Ranchi which is put up with Russian assistance; the Coal Mining Machinery Plant at Durgapur with Russian assistance; and the Foundry Forge Plant and Heavy Machine Plant at Ranchi, both with Czech assistance. As far as I know the coal mining plant has actually gone into production according to the schedule; there is no delay either in civil construction or erection of equipment." It was added that "It is meant for producing 45,000 tons. Now because the coal production target has come down, for reasons over which that particular project has no control, naturally there is idle capacity and we are trying our best to see in what other directions that capacity could be used."

It was further stated that "In the case of the Heavy Machine Building Plant I think both civil constructution and erection of equipment have been more or less according to schedule. The one case where there has been considerable delay unfortunately is in the case of Foundry Forge Plant. The main reasons there is, origi-

nally a site was selected for the Plant, after some preliminary soil data was received. It was found later that it should have pile-foundations in that particular place, which took another twelve months. Secondly, we had considerable difficulty in procuring steel for fabrication." Giving the reasons for the capital costs of public undertakings the Ministry in written note furnished to the Committee has stated that it is "sometimes due to omission in taking into account certain items of capital expenditure at the time of making the original cost estimates. It is also due to construction expenditure going up on account of increase in wages, increase in cost of building materials etc." The note further adds that "here are no uniform causes for delays in the dates of commissioning and of reaching production targets in public sector undertakings. It is, however, a fact that there have been delays and in most of the cases there are different causes for these delays." The Committee have been further informed that no study has been made so far regarding the impact of the increased capital costs and delays on the cost of production of the units.

Quality Consciousness among Manufacturers

7.35. An eminent economist has alleged that trere is a general lack of cost or equality consciousness among the manufacturers in the country on account of sheltered home market.

7.36. The Secretary of the Ministry of Industrial Development and Company Affairs informed the Committee in this respect during evidence that "There are certain schemes prepared by the Indian Standard Institution which lay down specification of qualities and they have got a certification marks scheme under which industrial units can get certification marks for their products which guarantee their quality. If they do so, obviously they have an advantage in the market over others who do not get such certification marks. Then there are also schemes regarding the quality of export goods." Asked how many manufacturers had taken out the I.S.I. marks, the representative of the Ministry stated that "I am aware that all the major manufacturers—Hindustan Steel, Tatas and Indian Iron—have taken the licence from the I.S.I. Even in consumer goods many manufacturers have done so. Of course, it is not compulsory for anybody to do so." It was also stated that the automobile industry had not taken out the I.S.I. mark as it was difficult to get the I.S.I.

mark for the vehicle as such. For certain components they might have gone in for the I.S.I. mark.

7.37. The following paras indicate the cost of machinery, components and spare parts for some select industries as compared with the F.O.B. cost of similar imported machinery, components, spare parts etc.

(i) *Cotton Mill Machinery and Art Silk Machinery*

The statement below gives the F.O.B. price of major textile machinery for cotton textile industry at post devaluation rate, when imported from U.S.A., U.K. and Japan and also the average ex-works price of Indian-made machines. The prices indicated therein should be taken only as a guide as a comparison as such price quotations are not available. It is also not possible to compare the price of processing machinery of Indian make with those of the foreign make as they are generally machines of tailored design.

Current prices of textile machinery

Items	F.O.B. Price per unit of imported machines			Ex-works price per unit of Indian made machine		
	U.S.A.	U.K.	JAPAN	Average	Max	Min.
1	2	3	4	5	6	7
			(Rupees in lakhs)			
Blow Room Line	6·90	4·72	4·56	4·56	..	..
Carding Engine	0·42 Sami H.S.	0·81 HS	0·50 H.S.	0·21 Ord HS 0.40	0·24 Ord	0·19 Ord
Draw Frame	0·50	0·35	0·36	0·41	0·47	0·34
Speed Frame	1·62	1·10	0·65	0·67	0·96	0·35
Ring Frame	1·26	1·18	0·78	0·52	0·52	0·45
Winding Machine	..	0·85	0·63	0·91	1·05	0·77
Marking Machine	1·25	..		0·94		..
Sizing Machine	2·63	3·78		2·42	2·60	2·25
Auto Loom	0·28	0·32	0·10	0·10	0·14	0·06

As for art silk machinery it has been stated that the main weaving item, namely automatic loom is not manufactured in the country so far. Some art silk auxiliary machinery are also imported at present, as they have no indigenous angle but they are not of very great importance.

As for principal spares and components, they are generally manufactured indigenously and their import is banned, for the last few licensing periods. Their imported price is not readily available. Spare and components, imported at present, have generally no indigenous angle.

The price of Indian machines, consequent on devaluation, is stated to be at par with that of Japanese make and is cheaper than machines made by European countries. Prior to devaluation, the price of Indian machines was generally higher than that of Japanese make. A number of factors were responsible for it, namely, dependence on imported raw materials and components, initial disadvantages of a new venture, scarcity of indigenous raw material like pig Iron, Coal, Coke as well as electricity, payment for foreign collaboration etc.

(ii) *Cement Mill Machinery, Sugar Mill Machinery and Paper Mill Machinery.*

These cover a wide range of equipments and each equipment by itself is made of a large number of components. The price of these machinery items and components also varies from country to country and from manufacturer to manufacturer both abroad and within the country. It has, therefore, not been possible to maintain any comparative data regarding prices of these items of imported and indigenous origin. The efforts and attention of Government were so far concentrated mostly on how to develop the indigenous manufacture of these machinery items in order to save foreign exchange. Besides, matters relating to examination of price-structure, fixation of fair ex-works prices of indigenous products, etc., are normally entrusted to the Tariff Commission as and when it is felt that the prices of indigenous goods are unreasonably high compared to the imported goods.

The position in respect of prices of complete plants in respect of these three industries is, however, as under:—

(a) *Complete Cement Mill Plant*: From quotations received in connection with the selection of a cement plant it appears that the offer made by the indigenous firm was cheaper than that quoted by a Rumanian firm, whereas the same was a little bit higher than that quoted by F.L. Smith of Denmark and Fivelilde Cail of France. But, in the case of the latter two foreign firms, the foreign ex-

change involved was much higher than that of the indigenous offer, as will be seen by the figures given below:—

Name of Firms	Imported items f.o.r. Calcutta	Indigenous f.o.r. despatching station	Total
1	2	3	4
1. A.V.B.	1,09,80,000	1,90,20,000	3,00,00,000
2. F.L.C.	1,68,17,000	1,14,43,000	2,82,60,000
3. F.L.S. .	1,99,43,000	81,21,000	2,86,64,000

It is also understood that in a recent quotation received by the Madras Government, the lowest indigenous offer was about Rs. 272 lakhs compared to that of a foreign offer of Rs. 262 lakhs. It will thus be seen that the indigenous offer exceeds the foreign offer by about 5 per cent.

(b) *Complete Sugar Mill Plant*:—No complete plants have been imported during the last few years in view of the ban imposed on the import. The question of camparison of price of indigenous plant *vis-a-vis* imported plant does not, therefore, arise. A large number of complete sugar plants of indigenous make have been supplied and installed in the country and no complaint has been received that the price charged by the indigenous manufacturers is high compared to the imported plant.

(c) Complete Paper Plant: So far, no large-scale complete paper plant has been manufactured supplied by the indigenous manufacturers. However, 10 tonne per day capacity complete plant has been supplied by one of the indigenous manufacturers and no complaint has been received that the price charged for the indigenous plant is high as compared to the imported one.

7.38. The Committee are of the view that the major limitation to the fuller utilisation of the industrial capacity established in the country during the last three Plan periods has been the shortage of imported components, raw materials and spare parts. The situation in recent years has all the more worsened due to tight position of foreign exchange. While there can be no dispute with th Government, in the present day scarcity conditions, assuming the powers

to control production, distribution and prices of idustrial commodities, particularly of basic industries, the Committee consider that howsoever necessary these controls may be, they tend to introduce rigidities which besides discouraging expansion of output, leading to wasteful use of the products and black-marketing, often impair efficiency and initiative on the part of all concerned. The Committee need hardly stress that the question of controlling production, distribution and prices of industrial products should be approached in a pragmatic and positive manner so as to ensure that in these days of economic crisis, not only the producers and the consumers derive the maximum satisfaction but the overall economy of the country shows significant improvement in production capability. The Committee would suggest that the controls may be constantly reviewed so that the needless ones are eliminated and others relaxed or intensified in the light of changing conditions. The Committee feel that recent changes in Industrial Policy (e.g. selective relaxation made in respect of industrial licensing, liberalisation of imports for the priority industries, decontrol of cement steel, etc.) are steps in the right direction and would create a hospitable environment for stepping up production capacity.

7.39. In the matter of prices of industrial products it is essential that stringent measures are taken to control them at a reasonable level. A significant feature of the commodity control is evident in the case of cement, soaps, vanaspati etc. supplies where Government have been able to persuade the organised sector of the industry to practise voluntary price control. The Committee however consider it important that there should be a clear cut policy with regard to voluntary price controls as neither in the Third Five Year Plan nor in the Industrial Policy Resolution, 1956, any mention has been made of resort to such type of controls.

VIII
*ANCILLARIES

A. Encouragement and Development of Ancillary Industries

I. Large Scale Sector

8.1. The steps taken to encourage the setting up of ancillary and auxiliary industries in various groups of industries in large scale sector as indicated by Ministry of Industrial Development and Company Affairs are narated in the following paras:—

(i) *Industrial Machinery Industries*

8.2. In the case of industrial machinery manufacturing industries, the machines principally comprise of grey iron castings, steel castings, forgings and or fabricated components.

The ancillaries or auxilliaries in this group of industries are not many in number. Broadly speaking, items like ball and roller bearings, tubes, bolts, nuts, screws, instrumentation etc. could be deemed to come into this category. These items are no doubt required by the machinery manufacturers, but at the same time, they cannot be economically taken up for production by each manufacturing unit itself and must perforce be obtained from other manufacturers in the country.

Incidentally, these items are required also by a number of other industries e.g., bolts manufacture, tubes and pipes manufacture, ball and roller bearings manufacture etc. for the development of which assistance is being given as stated under group (iii) "Light Mechanical Engineering Industries."

(ii) *Electrical Industries*

8.3. While scrutinising import applications for raw materials and components, careful study is made of the various items that are being imported by the manufacturers of the major equipment. Entrepreneurs are then advised to take up these items for indigenous development. It has been stated that repeated discussions were held with the manufacturers in connection with import substitution. During these discussions, the importance of developing ancillary items was stressed.

As a result, the following ancillary|auxilliary industries have been developed:—

(1) Electronic and radio components, such as, Transistors & Diodes, resisters, capacitors, loud-speakers, etc.;

(2) Lamp Caps, Tungsten filaments, glass shells and glass tubes for lamps; and

(3) Tap changers relays, radiators for transformers, current & potential transformers, Power relays, Permanent magnets, etc.

(iii) *Light Mechanical Engineering Industries*

8.4. The main ancillary industries which come under these industries are high tensile bolts and nuts, leaf springs for automobiles, ball and roller bearings industries. A number of units have been granted licences under the Industries (Development and Regulation) Act in these industries and quite a few schemes have also been recommended for grant of licence to establish new capacity or effect substantial expansion with a view to achieving tentative targets laid down for the Fourth Plan period. These industries are in the nature of ancillary to key industries such as automobile manufacture, manufacture of machine tools and industrial machinery etc. These are, therefore, given higher priority in the matter of rendering assistance by way of release of foreign exchange for the import of raw materials, capital goods etc.

(iv) *Metal-Industries*

8.5. Ferrous and non-ferrous metals industries manufacture items required by almost all the engineering industries for their final manufacturing programme either as base material or as ancilary and auxillary items. As such efforts made for developing these industries are almost in the shape of feeder industries to the other engineering industries. Sufficient capacities for all the industries have already been planned.

(v) *Drugs and Pharmaceuticals*

8.6. The raw materials and intermediates may be considered as ancillary items for the Drugs and Pharmaceuticals industry. Entrepreneurs are encouraged to manufacture intermediates etc. not only for meeting their own requirements but also making such articles available to other industrial units who would need them. Moreover, manufacturers of bulk basic drugs are also encouraged to undertake the production of such ancillary items as required by them and also for supplying the same to other units who would use them for their manufacturing operations. Such approved/licensed schemes are being assisted to the fullest extent as far as practicable.

(vi) *Insecticides*

8.7. The raw materials, intermediates and auxiliary chemicals may be considered as ancillary items for the pesticides industry. The requirements of main raw materials and intermediates for the production of basic tchnical materials (pesticides) required to provide plant protection facilities to cover 210 million acres of the cropped areas by 1968-69 have been worked out by the Working Group, set up for the formulation of the Fourth Five Year Plan proposals, working in conjunction with the Pesticides Panel of the Development Council for Organic Chemicals Industries.

Entrepreneurs are encouraged to manufacture intermediates etc. not only for meeting their own requirements but also making such articles available to other industrial units who would need them. Moreover, the manufacturers of technical materials are also encouraged to undertake production of ancillary items to meet their own requirements and also that of others. Such approved/licensed schemes are being assisted to the fullest extent as far as practicable.

(vii) *Rubber-goods manufacturing Industry*

8.8. The main raw materials required by this industry are natural rubber, synthetic rubber reclaimed rubber, rayon tyre cord, carbon black, rubber chemicals, headwire, bicycle tube valves, automobile tube valves, etc. Manufacture of several of these materials has been undertaken in the country and the bulk of our requirements are being met from indigenous sources.

(viii) *Leather*

8.9. The main raw materials required by this industry are hides and skins, tenning materials and a large variety of miscellaneous chemicals in small quantities. Steps have been taken to set up facilities for production of blended tanning extracts using the wattle barks available from the plantations in the Nilgiri/Palni hills in Madras State. The import requirements of this industry are small and this industry earns a foreign exchange of over Rs. 30 crores a year.

(ix) *Paper Industry*

8.10. The main raw materials required are pulp (which is produced indigenously) and consumable stores such as wires and felts. Capacity has already been established for the production of wires to meet about 40 per cent of our current requirements. Steps have

been taken to produce felts required for production of boards. With regard to felts required by the Paper Industry, a letter of intent has been issued to a well-known producer of this item in the world and it is anticipated that when this unit goes into production in about 24 months, practically the country's entire requirements of different grades of felts would be met from indigenous sources.

(x) *Rayon and Man-made fibres*

8.11. The chief raw materials required for these industries are rayon-grade pulp, caprolactum, DMT (Dimethyl Terephthalate), ehtylene glycol, etc.

Rayon-grade pulp suitable for production of viscose staple fibre is already being produced in the country to the extent of about 50,000 tons per year. This accounts for nearly 50 per cent of the current requirements of dissolving-grade pulp. A small unit with a capacity of 6,000 tons of rayon-grade pulp of cotton linters has been established by M/s. Travancore Rayons. M/s. South India Viscose (Coimbatore) are in the process of setting up a rayon-grade pulp factory based on eucalyptus. The initial capacity will be about 21,000 tons which would be expanded to 36,000 tons later.

Since much of the equipment required for the production of rayon-grade pulp would be available from indigenous sources and since the production of this material does not involve import of chemicals, etc., with a view to give further fillip to production of pulp in the country, the manufacture of pulp has been de-licensed.

Steps are being taken to set up adequate capacity for caprolactum, DMT, ethylene glycol, etc.

(xi) *Organic and Petro-chemical Industries*

8.13. Tools Directorate of the Directorate General of Technical country are based on indigenous raw materials such as ethyl alcohol, calcium carbide and petroleum naptha. The import content is extremely small.

(xii) *Tools Industries*

8.13. Tools Directorate of the irectorate General of Technical Development maintains complete statistical information regarding the various ancillary and auxillary industries and wherever there is a gap between the demand and supply, the entrepreneurs are encouraged to set up manufacturing facilities as necessary.

(xiii) *Automobile Industries*

8.14. The Automobile Industry in India is over 20 years old. At the beginning the main vehicle manufacturers undertook also the production of certain ancillaries. However, over a period of 10 years the planned development of ancillaries was envisaged. Accordingly the various components required for the vehicle manufacture have been broadly classified under three heads viz.—

(a) Where components to be manufactured solely by the original equipment manufacturers;

(b) Components to be solely manufactured by the ancillary sector; and

(c) certain borderline components which could be manufactured either by the ancillary or main sector.

The successive Five Year Plans set targets for vehicle production and in turn capacity targets for the ancillary sector were set up by the several Study Teams working under auspices of the Automobile Development Council and also the Automobile Division of the Directorate General of Technical Development. Within the framework of such capacities, creation of new or more capacities in the country are recommended.

Several bigger units, particularly the main manufacturers, have also established industrial estates to meet certain ancillary or sub-ancillary requirements. Such satellite units are built by the main vehicle manufacturer with assistance by the State or by financial institutions.

II. SMALL SECTOR

8.15. Asked during evidence whether industrial licences contained any provision regarding the compulsory farming out of the components and intermediaries to the ancillary industries, the Secretary of the Ministry of Industrial Development and Company Affairs stated that "This mater is borne in mind, but there is no compulsory provision for farming out. Usually some agreement is made, discussions held and understandings reached. But we do not make compulsory provision that they must do this."

8.16. It has further been stated that Government had conducted a survey to ascertain whether the large scale private sector were reluctant to buy from the small scale sector. It was further added that "From the report of this survey we find that a very large number of large private industries are now buying their components

from the small scale sector."

B. Development of Ancillaries in Public Undertakings

8.17. It has been represented by a non-official organisation that "The progress made by ancillary industries particularly in the backward region States is negligible. During 1964-65 out of the total value of goods worth Rs. 10.37 crores supplied by small ancillaries over 80 per cent was accounted for by ancillaries in the urban areas. Again, with the exception of Hindustan Machine Tools, Heavy Electricals and Integral Coach Factory, the Public Sector Undertakings have not made any noteworthy progress in encouraging ancillary industries. During April/September, 1965 only Rs. 10.95 lakhs worth of goods were obtained by the public sector undertakings from the ancillary units. It is, therefore, the public sector units which should show the way for the development of the underdeveloped regions/States of the country."

8.18. The progress made in the development of ancillaries for the supply of parts and components to the various public undertakings has already been dealt with by the Committee in their 106th Report (Third Lok Sabha). The Ministry of Industry in a written note furnished to the Committee have stated that "a Committe consisting of two senior officers, one from the DGTD and the other from the DC (SSI) was appointed to study and recommend further measures for developing ancillaries in the public sector. The recommendations made by the Committee have since been accepted by the Govenment and circulated to all public sector undertakings for implementation....."

A copy of Ministry's letter communicating the report to various public sector undertakings is at Appendix XIX.

819. It has been further stated that when the project reports for almost all the public sector undertakings now in production were drafted, competent small scale units which would undertake production of ancillary items were not existing. The project reports of these undertakings were drawn up for an integrated unit which produces all parts, components and assemblies required by it. Now that competent small scale units have come into existence, it has been decided to exclude the production of items which could be made in ancillary units from the purview of the large scale undertaking, even at the stage of finalizing the project report. In the case of the

tractor factory proposed to be set up with Czech collaboration at Ram Nagar, the project report is now being scrutinized from the ancillary angle, in consultation with the CMERI, Durgapur, with a view to make use of the ancillaries to the maximum extent possible.

8.20. The Committee are glad to note that a number of Public Sector Undertakings have formulated plans to develop ancillaries. They would emphasis that Government should keep a close watch over the progress achieved by public undertakings in this matter so that the country is made less and less dependent on imports of components, spares, etc. The Committee hope that likewise the private sector industries would also pay greater attention to the development and setting up of ancillary industries. The Committee have comprehensively dealt with the subject of ancillaries in Chapter II of their 106th Report (Third Lok Sabha) on Small Scale Industries and have made a number of recommendations for their development, both in public and private sectors. They hope that with the implementation of the suggestions made by the Committee, the ancillary industries would be able to play an effective role in the industrialisation of the country.

IX

CENTRAL ADVISORY COUNCIL

Constitution and Functions.

9.1. The Central Advisory Council of Industries has been set up under Section 5 of the Industries (Development and Regulation) Act, 1951, for advising the Central Government on matters concerning the development and regulation of scheduled industries *i.e.* the industries listed in the First Schedule to the Act. The Council was originally constituted on the 8th May, 1952—the date on which the Industries Act was brought into force. The Council consists of a Chairman (Minister of Industrial Development and Company Affairs) and such other members, not exceeding thirty in number, all of whom are appointed by the Central Government, from amongst persons who are, in its opinion capable of representing the interests of—

(a) owners of industrial undertakings in scheduled industries;

(b) persons employed in industrial undertakings in scheduled industries;

(c) consumers of goods, manufactured or produced by scheduled industries;

(d) such other class of persons including primary producers as in the opinion of the Central Government ought to represented on the Council.

9.2. The tenure of members appointed in the Council is for a period of two years. So far the Council has been reconstituted on six occasions. The Council was last constituted on the 9th July, 1965. The present composition of the Council is given in Appendix XX. Asked during evidence whether any proportion of the membership of the Central Advisory Council to represent a particular interest had been laid down by Government, the representative of the Ministry stated that "No proportion of membership has been laid down; but care is taken to see that all these interests (as given in the Act) are represented."

Meetings

9.3 Rule 10(2) of the Central Advisory Council (procedural) Rules, 1952, provides that "At least one meeting of the Council shall

be held in every year. The Council has so far held 18 meetings—the last meeting was held on the 14th October, 1966. The dates of the last 7 meetings are indicated below:

12th Meeting held on .	28-10-1961
13th Meeting held on .	27-3-1962
14th Meeting held on .	29-9-1962
15th Meeting held on	24-9-1963
16th Meeting held on	11-11-1964
17th Meeting held on	13-8-1965
18th Meeting held on	14-10-1966

It will be seen from the above table that during the period of five years (from October 1961 to October 1966) seven meetings were held. The Committee also note that there is no uniformity in the time schedule as two meetings were held in 1962 with a gap of 6 months, in 1963, one meeting was held after about one year, in 1964 the meeting was held after 14 months, in 1965 after 9 months and in 1966 again after 14 months.

9.4. A non-official organisation has represented to the Committee that "The functioning of the Central Advisory Council of Industries is far from happy. Unfortunately,, too many speeches are made at the meeting and there is hardly any time for discussion on the points which really affect an industry. The Industry Minister, who is now the Minister of Steel said that anyone desirous of discussing further points may send a note. The notes are generally not attended to unless and until a very highly placed person has addressed this note. It should be possible to make the meetings of the Central Advisory Council of Industries as business-like as possible and one should do away with too many speeches. The member should be asked by the President to be precise to make his point and Government should then subsequently circulate the reaction and comments on the points made so that members can particularly follow up the issues. Generally, at the meeting of the C.A.C.I. the economic situation of the country is being discussed. At certain meetings, certain industries are taken for discussion. There is hardly any time to go into the details of the industry as such."

9.5. Another non-official organisation has described the working of the Central Advisory Council in the following words:—

> "The Central Advisory Council of Industry is concerned mainly with the discussion of broad principles of industrial policy and the discussion also of specific grievances. In both of these spheres it has proved rather ineffective—in the first because Government thinking on basic policy issues is already firmly established, and in the second because com-

plaints are normally dealt with at a much lower level and tend to get lost in general policy discussions. Nevertheless, the Chambers do not consider that the Council should be abolished. It is a useful sounding board, it does permit of an exchange of views on broad questions of policy and it must in some sense have helped to influence the development of national economic policies. The Council should therefore be retained but could perhaps be rendered more useful in two ways:

(1) By bringing within its ambit, at the policy level, discussions of the national Five Year Plans and reviews of their progress, and by contributing to the formulation of basic Government policies which are liking to stimulate or retard growth-taxation, credit, the allocation of scarce resources, etc.

(2) By an increased use of sub-Committees which could examine the details of Industrial development and the practical working of Governmental policies.

9.6. Referring to the allegation that at the meeting of the Advisory Council too many speeches were made and that there was hardly any time for discussion on the points which really affected the industries, the Secretary of the Ministry of Industrial Development and Company Affairs clarified during evidence that "Many industrialists are present and they do raise the points which are agitating them. Of course speeches are made. But during the course of their speeches, they do bring to the notice of Government all points which are agitating them." He further added that "We find that the discussions are quite useful. I myself have attended several meetings of the Council and I say from personal experience that discussions are quite useful though they may not be specific to the agenda. Even the general discussions are very helpful to Government in ascertaining the climate of industries."

9.7. Asked further whether the Council were informed of the action taken by Government on its recommendations, the representative of the Ministry stated that "Not specifically except when Government decision is taken. . . If a particular member feels that some suggestion made by him has not been taken note of by Government, he probably raises the same point over again when a reply is given to him then and there." Asked further whether the pro-

ceedings of the previous meeting were confirmed at the subsequent meeting, it was stated that "I don't think that is the procedure in the Council."

Consultations regarding Administration of Industries Act.

9.8. It has been laid down in Section 5(4) of the Industries (Development and Regulation) Act that "the Central Government may consult the Advisory Council in regard to any other matter connected with the administration of this Act in respect of which the Central Government may consider it necessary to obtain the advice of the Advisory Council." In this connection, the Secretary of the Ministry of Industrial Development and Company Affairs has informed the Committee during evidence that "No specific consultation is made under Section 5(4) of the Act except when the amendment of the Act is under consideration when they are consulted." The Ministry in a written note furnished to the Committee subsequently have stated that "The views expressed at the meetings are taken note of by Government in the formulation of their policies. No specific matters connected with the administration of the Industries (Development and Regulation) Act 1951, were referred to the Council during this particular period (1963 to 1966).

Sub-Committee of Central Advisory Council.

9.9. Rule 18 of the Registration and Licensing of Industrial Undertakings Rules, 1952 provides that "A sub-committee of the Central Advisory Council shall be constituted which will review all licences issued, refused, varied, amended or revoked from time to time and advise Government on the general principles to be followed in the issue of licences for establishing new undertakings or substantial expansion of the existing undertakings."

9.10. It has been stated by the Study Team on D.G.T.D. that "the Co-ordination and Licensing Progress Section (C.L.P. Section) of the Ministry of Industrial Development and Company Affairs is required to submit to the Reviewing Sub-Committee of the Central Advisory Council of Industries the statistics of time taken in the disposal of industrial licence applications as also the statements of acceptance and rejection of cases. To enable the Reviewing Sub-Committee to do a meaningful examination of these statements, we recommend that they should be prepared on an industry-wise basis.

The Co-ordination and Licensing Progress Section (C.L.B. Section) should also provide the Reviewing Sub-Committee with more than details of all applications which have been pending disposal for more than 3 months after their receipt."

In a written note furnished to the Committee, it has stated—

"Meetings of the Reviewing Sub-Committee are held twice or thrice a year.

The Committee is composed entirely of non-officials and it reviews the decisions taken by the Licensing Committee. The result of the review is taken into account in the examination of future applications."

9.11. The Committee note that though the rules provide for at least one meeting of Central Advisory Council in a year, there have been occasions when meetings of the Council were held after an interval of 14 months. The Central Advisory Council provide a useful forum where industry comes in contact with Governmental machinery and should be taken into confidence on matters regarding the development and regulation of scheduled industries. They recommend that to enable the Council to play an effective role it should, as far as possible, meet more frequently and at regular intervals—say once in a 6 months—so that Government may have more opportunities to understand the problems facing the industry and take effective and remedial measures to step up industrial production in the country and to devise dynamic strategies for industrial growth.

9.12. The Central Advisory Council consists of persons well connected with the industry. It is therefore of utmost importance that Government should show sustained interest in its working. As the decisions taken by the Central Advisory Council are of far reaching importance to the economy of the country, the Committee consider that Government should also examine the desirability of inclusion of members of representative associations/bodies of trade and industry in the Council so that the views and reactions of these apex bodies on complex problems facing the industry are available for drawing up future industrial programme.

9.13. To enable the Council to work effectively, it is also important that it is provided with full and up-to-date information on matters connected with industries. The Committee would also emphasise that there should be a regular follow-up of the decisions taken at the meetings of the Central Advisory Council.

X

DEVELOPMENT COUNCILS

Constitution of Development Councils and their functions

10.1. Under Section 6 of the Industries (Development and Regulation) Act the Central Government may establish for any scheduled industry or group of scheduled industries, a development council consisting of:

(a) persons capable of representing the interest of owners of industrial undertakings in the scheduled industry or group of scheduled industries;

(b) persons having special knowledge of matters relating to the technical or other aspects of the scheduled industry or group of scheduled industry;

(c) persons capable of representing the interests of persons employed in industrial undertakings in the scheduled industry of group of scheduled industries;

(d) persons not belonging to any of the aforesaid categories, who are capable of representing the interests of consumers of goods manufactured or produced by the scheduled industry or group of scheduled industries.

10.2. The functions which may be assigned to Development Councils are indicated in the Second Schedule to the Act. According to these functions, Development Councils are required to make recommendations regarding targets for production, co-ordination of production programmes, norms of efficiency, optimum utilisation of installed capacity, better marketing and distribution, standardisation, development of new materials and their commercial exploitation, promotion of training and scientific and industrial research. Broadly, development councils are meant to provide a forum for thinking to be done on how to achieve co-ordinated development and increased productivity.

10.3. The maximum strength of a council is prescribed as 30, including the chairman who is generally a non-official. It has been stated that "There is no hard and fast rule for appointment of old

and new members. Efforts are, however, made to bring in fairly large number of new members at each reconstitution."

10.4. The then Minister of Commerce & Industry while moving the Industries (Development and Control) Bill in Lok Sabha on the 11th October 1951 narrated the functions of development councils in the following words:—

"Development Councils will consist of persons capable of representing the interests of owners of industries, persons having special knowledge of matters relating to the technical aspects of the industry, persons capable of representing the employees and persons of the consumers. The functions of the Development Councils have been enumerated in the Second Schedule. From the list of functions it will be evident that the work of the Development Councils will be to help the industries and increase their social utility. The Development Councils, apart from looking to the side of efficiency, will promote arrangements for better marketing of goods manufactured by the industries and also will assist in the distribution of controlled materials and in promoting arrangements of obtaining materials to the industry. I have already told the House that many industrial units situated in various States have been closed down either because of marketing difficulties or because of want of raw materials. The smaller units which constitute the bulk of the industries in India cannot compete with the few large units either in securing raw materials or in marketing the goods manufactured by them. The Development Councils will try to look to the interests of the industry as a whole and thus keep a balance amongst different units. In these days of shortage of raw materials, it is essential that there must be a statutory body which will undertake the fair distribution of raw materials. Further the hon. Members will see in No. 7 in the list of functions that the Development Council will promote and undertake inquiry with regard to discovery and development of new materials, equipment and methods and of improvements in those already in use. Scientific and industrial research in matters affecting industrial psychology and research, into matters relating to the consumption and use of goods in services supplied by the industry is one of the functions of the Development Council. Similarly, standardisation of products is another. I need not dilate upon all the functions, but if the hon. Members will once glance

through the list of functions they will be convinced that the Development Councils will work as nurses for the private industries. They will be the instruments in the hands of Government both for the purposes of development and regulation."

10.5. According to the information furnished to the Committee, the fololwing Development Councils were set up from time to time under Section 6 of the Act:—

1. Automobiles, Automobile Ancillary Industries and Transport Vehicle Industries.
2. Internal Combustion Engines, Power-driven pumps, Air Compressors and Blowers.
3. Machine Tools.
4. Heavy Electrical Industries.
5. Non-Ferrous Metals and Alloys.
6. Wollen Industry.
7. Art Silk Industry.
8. Organic Chemical Industries.
9. Drugs and Pharmaceuticals.
10. Sugar.
11. Instruments, Bicycles and Sewing Machines.
12. Leather and leather goods industries.
13. Light Electrical Industries.
14. Food Processing Industries.
15. Glass and Ceramics.
16. Paper, pulp and allied industries.
17. Inorganic Chemical Industries.
18. Oils, Paints, Soaps, Cosmetics and Toileteries.
19. Textile Machinery.

10.6. It has been stated that no development council has so far been set up for other scheduled industries shown in the First Schedule to the Act as need for such Councils has not been felt. A non-official organisation has emphasised that "The composition and functioning of the Development Councils deserve careful examination. In our opinion, the Development Councils have not contribut-

ed much to the growth of the industries concerned. We will confine our views on this point to the composition and functioning of the Development Council for textile machinery. The Council, as in the case of any other council, is composed of representatives of the Government, entrepreneurs, labour and consumers. Government have not found it convenient to give representation to the concerned Association of the entrepreneurs on the Development Council. According to them members are nominated on the Council in their individual capacity and it was not necessary to give any representation to the concerned Association." The non-official organisation has found it necessary "that the concerned Association should be given representation on the Council so that the collecive views of the entrepreneurs in the industry can be brought to bear on the Council."

10.7. Asked during evidence to state the basis for election of industries for setting up Development Councils, the representative of the D.G.T.D. stated that "Depending upon the stage of development of each industry, the more important industries were picked and Development Councils constituted for them and whenever it was found that there is no need for developing that industry any more after it had attained a certain stage of development, we have also abolished it, *e.g.* Development Council for Bicycles. We have also set up panels wherever we found that it may not be necessary to have a full-fledged Development Council or also in the initial stages of the industry when it is not yet ripe for the formation of a Development Council."

Dissolution of Development Councils

10.8. It has been stated that the following Development Councils have been abolished under Section 8 of the Industries (Development and Regulation) Act, 1951:—

1. Development Council for light electrical industries.
2. Development Council for internal combustion engines, power driven pumps, air compressors and blowers; and
3. Development Council for glass and ceramics.

10.9. In addition to the Councils mentioned above the following two councils whose tenure had expired were not reconstituted:—

1. Development Council for leather and leather goods, and
2. Development Council for instruments, bicycles and sewing machines.

10.10. The Committee have been informed that the usefulness of the various Advisory Bodies to the Government should be reviewed with a view to abolishing those not considered quite necessary. Accordingly a review of all the Development Councils was made and it was decided to abolish the five Councils referred to above.

10.11. The present position relating to the above 5 councils is stated to be as under:—

1. *Development Council for Light Electrical Industries*

It was decided to form a panel of 10 members to advise the Government relating to the development of instruments and electronics.

2. *Devtlopment Council for Internal Combustion Engines, Power Driven Pumps, Air Compressors and Blowers*

It was decided to transfer the industry relating to internal combustion engines (boh vehicular and others) to the Development Council for automobiles etc. and it was also decided to set up a panel for pumps, compressors, fans and blowers with a membership of about 10.

3. *Development Council for Glass and Ceramics*

A panel of 15 members has been set up to advise the Government in respect of this industry.

4. *Development Council for Leather and Leather Goods*

A panel of about 11 members has been constituted in place of the Development Council.

(The Committee has however been informed on January, 1967 that the panel was abolished and a Development Council reconstituted on the 9th September, 1966.)

5. *Development Council for Instruments, Bicycles and Sewing Machines*

The industry relating to instruments has been assigned to a new panel with a membership of 10.

It may be stated here that whereas Development Councils are statutory bodies consisting of generally 30 members and set up under section 6(1) of the Industries (Development and Regulation) Act, panels are normally smaller bodies consisting 10 to 15 members non-statutory bodies set up ad hoc for specific purposes. There are two types of panels—one in respect of industries for which no developmental council exists and it more or less functions as a substitute

for a development council; the other functions as a sub-committee of development council for looking into certain detailed aspect of industries.

It is the view of a chamber of commerce that "If and when the industrial licensing control is withdrawn, the development councils will lose much of their purpose." The chamber has therefore suggested that in such cases the development councils "may be abolished".

10.12. The Committee desired to know whether Government had taken any decision to abolish the development councils in respect of those industries or group of industries in whose case the industrial licensing control had been withdrawn. The Ministry of Industrial Development and Company Affairs in a written note furnished to the Committee have stated the position as under:—

"This has not yet been examined in detail. However, the delicensing of some of industries would not affect most of the Development Councils except paper, pulp and Allied Industries. Besides, it is considered that delicensing of certain industries would not eliminate the need for setting up of Development Councils, in as much as the present delicensing order only exempts the industrial units engaged in certain industries from certain provisions (licensing) of the Act, but other provisions of the Act still continue to be operative. The function of the Development Councils normally extends to the various issues as detailed in Second Schedule to the Industries (Development and Regulation) Act, 1951."

Working of Panels

10.13. A note on the working of Panels which were set up for certain industries on the abolition of development councils, as furnished by the Ministry of Industry, is reproduced below:—

"1. The panel for compressors, fans, blowers and pumps has been set up very recently on 4th March, 1966 and no meeting of the panel has been held so far. In view of this, we have as yet no experience of the working of this panel.

2. Following the abolition of the Development Council for Light Electrical Industries and Instruments, Bicycles and Sewing Machines, a Panel for instruments was set up on 17th September, 1965 with a membership of twelve excluding the Chairman. The Panel held two meetings so far and the recommendations made in these two meetings are under

examination. The Panel has been expanded with an additional membership of seven and with revised terms of reference on 26th October, 1965 for a period of two years. It is too early to express an opinion on the working of the Panel for instruments.

3. The Panel for Cement has done very useful work in several fields, namely, (i) study of mixed firing of kilns with coal of furnace oil to utilise low grade coal and maintaining the calorific intensity of the fuel, particlarly for factories far away from quantity coal fields; (ii) development of blended cement like oxycloride, rapid hardening hydrophobic etc. and pricing of granulated slag for slag cement; (iii) co-operative research in cement and concrete technology; (iv) short and long-term measures considered necessary for increasing the availability of cement *viz.*, adequate supply of coal, requirement of balancing equipment for optimum utilisation of capacity and incentives for maximising production; (v) refixation of installed capacity; (vi) New I.S.I. specifications for slag and slag cement and introduction of I.S.I. Certification Scheme; (vii) Developmental programme for the cement industry during the 4th Plan; (viii) manufacture of two varieties of portland cement and of masonry cement, and feasibilities of shaft kiln process; (ix) suitability of coal from the outlaying coalfields for the manufacture of cement."

10.14. The Committee note that the last review of the Development Councils was made in 1965 and as a result thereof 5 Development Councils were abolished. The Committee suggest that such review should be a regular feature—say at least once in 5 years—with a view not only to assess the usefulness of the existing councils but also to effect economy and improvements in their working. Now that a number of industries have been exempted from the licensing provisions of the Industries (Development and Regulation) Act, the Committee suggest that Government should examine early whether there is still need for the Development Councils to continue in their case.

Meetings

10.15. The meetings of development councils are fixed by the Secretary of the Council in consultation with the Chairman. It has been stated that the number of meetings held in one council differs from the other—normally about 2 meetings a year take place.

10.16. The date of meeting of each of the Development Councils during 1965 and 1966 is given below:—

	Name of the Development Council	Date of Meeting
1	Development Council for drugs and pharmaceuticals.	28-5-1965, 6-8-1966.
2	Development council for Organic Chemical Industries.	15-1-1965 4-9-1965 11-3-1966
3	Development Council for Art Silk Industry.	6-4-1965 20-8-1965 13-1-1966 29-8-1966.
4	Development Council for Non-ferrous Metals & Alloys.	No meeting was held during the years 1965 & 1966.
5	Development Council for Leather and Leather Goods Industries.	The panel for Leather and Leather Goods Industries was abolished and the Development Council for Leather & Leather Goods Industries was constituted on the 9th Sept., 1966. No meeting has been held so far.
6	Development Council for Paper, Pulp & Allied Industries.	18-1-1965 3 & 4-6-1965 13 & 14-11-1965 6-5-1966 12 & 13 -9-1966.
7	Development Council for Heavy Electrical Industries.	6-7-1965 2&3-6-1966
8	Development Council for Automobile/ Ancillary Industries, Transport Vehicle Industries, Tractors and Earth Moving Equipment.	21-1-1965 25-3-1965 6-9-1965 27-4-1966
9	Development Council for Machine Tools.	29-4-1965 5-4-1966 28-8-1966
10	Development Council for Sugar Industry.	29-1-1965 17-3-1966 5-4-1966

Name of the Development Council	Date of Meeting
11 Development Council for Textile Machinery Industry.	6-4-1965 15-2-1966
The terms of the Council expired in March, 1956. Its re-constitution is presently under the consideration of the Government.	
12 Development Council for Woollen Industry.	16-8-1965 No meeting in 1966.
13 Development Council for Inorganic Chemical Industries.	28th to 30th March, 1965.
14 Development Council for Food Processing Industries.	22-7-1965 No meeting in 1966.
15 Development Council for Oils, Detergents and Paints.	6-3-1965 25-2-1966 22-8-1966

10.17. The Study Team on D.G.T.D. has observed that "Development Councils|Panels should be required to held at least one meeting in six months and they have suggested the following may be prescribed as standing items on their agenda:—

(a) implementation of recommendation made in the previous meetings;

(b) import substitution;

(c) export promotion; and

(d) productivity problems.

10.18. It has been stated during evidence that "The periodicity of the meetings used to be once in every three months *i.e.*, four times a year, but due to economy it was cut down to twice a year. Government were, however, trying to increase the periodicity again."

Minutes of Meetings

10.19. As a result of case studies conducted by Study Team on DGTD (Mathur Committee) of the functioning of the four Development councils, *viz.* (i) oils and detergents; (ii) Non-ferrous metals; (iii) Light electrical industries (since abolished); and (iv) Heavy

electrical industries, the Study Team have *inter alia* brought out the following facts about the working of development councils:—

> "For the purpose of the studies, meetings held by these councils during 1963-64 and 1964-65 were taken into consideration. The strength of the councils ranged from 28 to 30. During the two years under review, the development council on light electrical industries held two meetings, while the other held three meetings each. Absenteeism in these meetings ranged from 7 to 13 prsons. Notices for meetings were issued more than ten days in advance as prescribed, but the time tken for the issue of minutes ranged from 15 to 245 days. Out of ten meetings for which minutes were issued, in six the minutes were issued after a lapse of more than one month. Mainly, the items discussed in the meetings were targets of production, export promotion, taxes, prices allocation of raw materials, etc."

10.20. Asked during evidence whether Government had enquired into the causes of delay in the issue of minutes, the representative of D.G.T.D. stated that "If I may explain here, the one instance of 245 days was due to the fact that the Chairman of this particular council had gone abroad. They had to wait for his return before his approval could be obtained. Very often delays take place because the Chairman is not available or when it is referred to him, he makes a query. He does not stay in Delhi. There are other reasons. But we have, since the Mathur Committee's recommendation, tried to expedite the process and now we are generally issuing the minutes within a reasonable period."

Circulation of Reports

10.21. An eminent industrialist has suggested that "the working of the development councils should be given greater publicity among industry and trade associations and chambers of commerce." He has alleged that "While at present individuals from industry are associated with the work of these councils, specific trade associations and chambers of commerce are not represented on them. The annual reports of the councils as circulated contain only bare details and are circulated after considerable time-lag. The special reports by technical and other panels appointed by the councils are also not normally circulated. At least the apex organisations of industry should be fully associated with the working of the development councils."

10.22. The Committee have been informed by the representative of the D.G.T.D. during evidence that "Whenever some Associations

ask for the reports of these Councils, we send them. But, on the whole, I think this is a good suggestion and we can even send regularly to the important Associations."

10.23. The Committee note that there is no set time schedule for holding meetings of development councils. There are instances of some development councils having not met at all during the whole year. The Committee fully endorse the views of the Study Team on D.G.T.D. that the development councils/panels should hold at least one meeting in six months and should have the following standing items on their agenda:—

(i) implementation of recommendations made in the previous meetings;
(ii) import substitution;
(iii) export promotion; and
(iv) productivity problems.

The Committee are also of the opinion that wide publicity should be given to the working of the development councils among the industry and trade associations and chambers of commerce and suggest that copies of their annual reports should be endorsed regularly to them in general and to the apex organisations of industry in particular.

Secretariat

10.24. It has been represented by a non-official organisation that "Most of the Development Councils have weak secretariat as Government do not like additional staff for the purpose. If the Development Council has to function effectively, then it requires a strong support of the Secretariat."

The Study Team on D.G.T.D. has observed that—

> "Development councils can hardly be more effective than the Secretariats which serve them. In fact, the success of this institution of councils very largely depends on the kind of Secretariat support they get. Considering the crucial role which development councils have to play, we would recommend that while Development Officers should continue to function as secretaries of development councils/panels, the Industrial Advisers should be made members so that they are closely connected with the working of such bodies and also provide superior and more responsible guidance. In the case of some very important industries, Industrial Advisers might even be appointed as secretaries."

10.25. Asked during evidence whether for each Development Council there was any Secretary or some office-bearers who could function on behalf of the Council, the representative of the D.G.T.D. stated that "There is a Development Officer. He is the Secretary

or the Convener of this Council. Under the Mathur Committee recommendation which has now been accepted, an Industrial Adviser may be the convener. As and when we reconstitute these councils, we will have the Industrial Adviser concerned as the office-bearer or the Secretary of the Council. He is permanently in position; he keeps constantly reviewing the work of the Council; prepares the agenda for the meetings, presents problems which have to be considered by the Council. So in that sense continuous work is going on in the Development Cuncils."

10.26. The Committee desired to know whether a development council was a 'corporate body' in terms of Section 6(3) of the Industries Act which provides that—

> "Every Development Council shall be, by virtue of this Act, a body corporate by such name as may be specified in the notified order establishing it, and may hold and transfer property and shall by the said name sue and be sued."

The Secretary of the Ministry of Industrial Development and Company Affairs, stated that "as soon as we constitute a council under this Act, the council automatically becomes a body corporate by virtue of this Act....." In reply to another query the Committee have been informed that the Development Councils have no permanent organisation or office. "They are serviced by the Development Officer in the Directorate General of Technical Development. Since he is a permanent Officer, to that extent we may say he is looking after the work on a regular standing basis. In fact there is a small cell in the Directorate which looks after the work of the Development Council and progresses it periodically."

10.27. The Committee regret to note the failure of Government for not having taken any action so far to declare the Development Council a "Corporate body" in terms of the provisions of Section 6(3) of the Industries (Development and Regulation) Act, 1951. They urge that necessary action may now be taken in this regard.

10.28. The Committee are, however, glad to note that Government have already accepted the recommendations of the Study Team on D.G.T.D. (Mathur Committee) for strengthening the Secretariats of the Development Cuncils and also to effect improvements in their working. They hope that the suggestions made by the Study Team in this regard would be given effect to at an early date.

P. VENKATASUBBAIAH,

Chairman,
Estimates Committee

NEW DELHI;
July 18, 1967.
Asadha 27, 1889 (*Saka*)

APPENDIX I

(*Vide* Para 1.23)

GOVERNMENT OF INDIA RESOLUTION ON INDUSTRIAL POLICY DATED THE 6TH APRIL, 1948

No. I(3)-44(13)/48.—The Government of India have given careful thought to the economic problems facing the country. The nation has now set itself to establish a social order where justice and equality of opportunity shall be secured to all the people. The immediate objective is to provide educational facilities and health services on a much wider scale, and to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country, increasing production and offering opportunities to all for employment in the service of the community. For this purpose, careful planning and integrated effort over the whole field of national activity are necessary; and the Government of India propose to establish a National Planning Commission to formulate programmes of development and to secure their execution. The present statement, however, confines itself to Government's policy in the industrial field.

2. Any improvement in the economic conditions of the country postulates an increase in national wealth: a mere redistribution of existing wealth would make no essential difference to the people and would merely mean the distribution of poverty. A dynamic national policy must, therefore, be directed to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution. In the present state of the nation's economy, when the mass of the people are below the subsistence level, the emphasis should be on the expansion of production, both agricultural and industrial; and in particular on the production of capital equipment of goods satisfying the basic needs of the people and of commodities the export of which will increase earnings of foreign exchange.

The problem of State participation in Industry and the conditions in which private enterprise should be allowed to operate must be judged in this context. There can be no dobut that the State must play a progressively active role in the development of industries, but ability to achieve the main objectives should determine the immediate extent of State responsibility and the limits to pri-

vate enterprise. Under present conditions, the mechanism and the resources of the State may not permit it to function forthwith in Industry as widely as may be desirable. The Government of India are taking steps to remedy the situation; in particular, they are considering steps to create a body of men trained in business methods and management. They feel, howeer, that for some time to come, the State could contribute more quickly to the increase of national wealth by expanding its present activities wherever it is already operating and by concentrating on new units of production in other fields, rather than on acquiring and running existing units. Meanwhile, private enterprise, properly directed and regulated, has a valuable role to play.

4. On these considerations the Government have decided that the manufacture of arms and ammunition, the production and control of atomic energy, and the ownership and management of railway transport should be the exclusive monopoly of the Central Government. Further, in any emergency, the Government would always have the power to take over any industry vital for national defence. In the case of the following industries, the State—which in this context, includes Central. Provincial and State Governments and other Public Authorities like Municipal Corporations—will be exclusively responsible for the establishment of new undertakings, except where, in the national interest, the State itself finds it necessary to secure the co-operation of private enterprise subject to such control and regulation as the Central Government may prescribe:—

(1) Coal (the Indian Coalfields Committee's proposals will be generally followed).

(2) Iron and Steel.

(3) Aircraft Manufacture.

(4) Shipbuilding.

(5) Manufacture of telephone, telegraph and wireless apparatus, excluding radio receiving sets.

(6) Mineral Oils.

While the inherent right of the State to acquire any existing industrial undertaking will always remain, and will be exercised whenever the public interest requires it, Government have decided to let existing undertakings in these fields develop for a period of ten years, during which they will be allowed all facilities for efficient working and reasonable expansion. At the end of this period, the whole matter will be reviewed and a decision taken in the light

of circumstances obtaining at the time. If it is decided that the State should acquire any unit, the fundamental rights guaranteed by the Constitution will be observed and compensation will be awarded on a fair and equitable basis.

Management of State enterprise will, as a rule, be through the medium of public corporations under the statutory control of the Central Government, who will assume such powers as may be necessary to ensure this.

5. The Government of India have recently promulgated a measure for the control by the State of the generation and distribution of electric power. This industry will continue to be regulated in terms of this measure.

6. The rest of the industrial field will normally be open to private enterprise, individual as well as cooperative. The State will also progressively participate in this field; nor will it hesitate to intervene whenever the progress of an industry under private enterprise is unsatisfactory. The Central Government have already embarked on enterprises like large river-valley developments, which are multi-purpose projects of great magnitude, involving extensive generation of hydro-electric power and irrigation on a vast scale, and are calculated in a comparatively short time to change the entire face of large areas in this country. Projects like the Damodar Valley Scheme, the Kosi Reservoir, the Hirakud Dam, etc., are in a class by themselves and can stand comparison with any of the major schemes in America or elsewhere. The Central Government have also undertaken the production of fertilizer on a very large scale, and have in view other enterprises like the manufacture of essential drugs, and of synthetic oil from coal; many Provincial and State Governments are also proceeding on similar lines.

7. There are certain basic industries of importance, apart from those mentioned in paragraph 4, the planning and regulation of which by the Central Government is necessary in the national interest. The following industries whose location must be governed by economic factors of all-India import, or which require considerable investment or a high degree of technical skill, will be the subject of Central regulation and control:—

(1) Salt
(2) Automobiles and tractors
(3) Prime Movers
(4) Electric Engineering
(5) Other heavy machinery

(6) **Machine Tools**

(7) Heavy chemicals, fertilizers and pharmaceuticals and drugs

(8) Electro-chemical industries

(9) **Non-ferrous metals**

(10) **Rubber Manufactures**

(11) **Power and industrial alcohol**

(12) **Cotton and woollen textiles**

(13) **Cement**

(14) **Sugar**

(15) Paper and Newsprint

(16) **Air and Sea Transport**

(17) **Minerals**

(18) **Industries related to defence.**

The above list cannot obviously be of an exhaustive nature. The Government of India, while retaining the ultimate direction over this field of industry, will consult the Governments of the Provinces and States at all stages and fully associate them in the formulation and execution of plans. Besides these Governments, representatives of Industry and Labour will also be associated with the Central Government in the Industrial Advisory Council and other bodies which they propose to establish, as recommended by the Industries Conference.

8. Cottage and small-scale industries have a very important role in the national economy, offering as they do scope for individual, village or cooperative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements. The healthy expansion of cottage and small-scale industries depends upon a number of factors like the provision of raw-materials, cheap power, technical advice, organised marking of their produce, and where necessary, safeguards against intensive competition by large-scale manufacture, as well as on the education of the worker in the use of the best available technique. Most of these fall in the Provincial sphere and are receiving the attention of the Governments of the Provinces and the States. The Resolution of the Industries Conference has requested the Central Government to investigate how far and in what manner these industries can be coordinated and integrated with large-scale industries. The Government of India accept this recommendation. It will be examined, for example,

how the textile mill industry can be made complementary to, rather than competitive with the handloom industry, which is the country's largest and best organised cottage industry. In certain other lines of production, like agricultural implements, textile accessories, and parts of machine tools, it should be possible to produce components on a cottage industry scale and assemble these into their final product at a factory. It will also be investigated how far industries at present highly centralised could be decentralised with advantage.

The Resolution of the Industries Conference has recommended that Government should establish a Cottage Industries Board for the fostering of small-scale industries. The Government of India accept this recommendation and propose to create suitable machinery to implement it. A Cottage and Small-scale Industries Directorate will also be set up within the Directorate General of Industries and Supplies.

One of the main objectives will be to give a distinctly co-operative bias to this field of industry. During and before the last war, even a predominantly agricultural country like China showed what could be done in this respect, and her mobile industrial co-operative units were of outstanding assistance in her struggle against Japan. The present international situation is likely to lessen to a marked degree our chances of getting capital goods for large-scale industry and the leeway must be made up by having recourse to small-size industrial co-operatives throughout the country.

9. The Government, however, recognise that their objective, *viz.*, securing the maximum increase in production, will not be realised merely by prescribing the respective spheres of the State and of private enterprise in Industry: it is equally essential to ensure the fullest co-operation between labour and management and the maintenance of stable and friendly relations between them. A Resolution on this subject was unanimously passed by the Industries Conference which was held in December last. Amongst other things, the Resolution states:—

> ".....The system of remuneration to capital as well as labour must be so devised that, while in the interest of the consumers and the primary producers, excessive profits should be prevented by suitable methods of taxation and otherwise, both will share the product of their common effort, after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertakings."

Government accept this Resolution. They also consider that labour's share of the profits should be on a sliding scale normally varying with production. They propose, in addition to the over-all regulation of industry by the State, to establish machinery for advising on fair wages, fair remuneration for capital, and conditions of labour. They will also take steps to associate labour in all matters concerning industrial production.

The machinery which Government propose to set up will function at different levels, central, regional and unit. At the Centre, there will be a Central Advisory Council, which will cover the entire field of industry, and will have under it Committees for each major industry. These Committees may be split up into sub-committees dealing with specific questions relating to the industry, *e.g.*, production, industrial relations, wage fixation, and distribution of profits. The regional machinery under the Provincial Governments will be Provincial Advisory Boards which, like the Central Advisory Council, will cover the entire field of industry within the province; they will have under them Provincial Committees for each major industry. The Provincial Committees may also be split up into various sub-committees dealing with specific questions relating to production, wage fixation and industrial relations. Below the Provincial Committees will come the Works Committees and the Production Committees attached to each major industrial establishment.

The Works Committees and the Production Committees will be bi-partite in character, consisting of representatives of employers and workers only, in equal numbers. All other Committees will be tri-partite, with representatives of Government, employers and workers.

Government hope that the machinery proposed will substantially reduce the volume of industrial disputes. In the case of unresolved conflicts, Government trust that management and labour will, in their own interests and in the larger interests of the country, agree to settle them through recognised channels of conciliation and arbitration, which will be provided by Government. The Industrial Relations Machinery, both at the Centre and in the Provinces, is being strengthened, and permanent Industrial Tribunals are being established for dealing with major disputes.

The Government of India are also taking special steps to improve industrial housing as quickly as possible. A scheme for the construction of one million workers' houses in ten years is under contemplation, and a Housing Board is being constituted for this purpose. The

cost will be shared in suitable proportions between Government, employers and labour, the share of labour being recovered in the form of a reasonable rent.

In order to ensure quick decisions on the various matters arising out of the Industrial Truce Resolution, Government are appointing a special officer.

10. The Government of India agree with the view of the Industries Conference that, while it should be recognised that participation of foreign capital and enterprise, particularly as regards industrial technique and knowledge, will be of value to the rapid industrialisation of the country, it is necessary that the conditions under which they may participate in Indian industry should be carefully regulated in the national interest. Suitable legislation will be introduced for this purpose. Such legislation will provide for the scrutiny and approval by the Central Government of every individual case of participation of foreign capital and management in industry. It will provide that, as a rule, the major interest in ownership, and effective control, should always be in Indian hands; but power will be taken to deal with exceptional cases in a manner calculated to serve the national interest. In all cases, however, the training of suitable Indian personnel for the purpose of eventually replacing foreign experts will be insisted upon.

11. The Government of India are fully alive to their direct responsibility for the development of those industries which they have found necessary to reserve exclusively for State enterprise. They are equally ready to extend their assistance to private or cooperative enterprise in the rest of the industrial field, and in particular, by removing transport difficulties and by facilitating the import of essential raw-materials to the maximum possible extent. The tariff policy of Government will be designed to prevent unfair foreign competition and to promote the utilisation of India's resources without imposing unjustifiable burdens on the consumer. The system of taxation will be reviewed and readjusted where necessary to encourage saving and productive investment and to prevent undue concentration of wealth in a small section of the population.

12. The Government of India hope that this elucidation of their intentions on fundamental aspects of industrial policy will remove all misapprehensions, and they are confident that a joint and intensive effort will now be made by labour, capital and the general public, which will pave the way for the rapid industrialisation of the country.

APPENDIX II

(*Vide* Para 1.25)

GOVERNMENT OF INDIA

INDUSTRIAL POLICY RESOLUTION

New Delhi, the 30th April, 1956

No. 91/CF/48.—The Government of India set out in their Resolution dated the 6th April, 1948, the policy which they proposed to pursue in the industrial field. The Resolution emphasised the importance to the economy of securing a continuous increase in production and its equitable distribution, and pointed out that the State must play a progressively active role in the development of industries. It laid down that besides arms and ammunition, atomic energy and railway transport, which would be the monopoly of the Central Government, the State would be exclusively responsible for the establishment of new undertakings in six basic industries—except where, in the national interest, the State itself found it necessary to secure the co-operation of private enterprise. The rest of the industrial field was left open to private enterprise though it was made clear that the State would also progressively participate in this field.

2. Eight years have passed since this declaration on industrial policy. These eight years have witnessed many important changes and developments in India. The Constitution of India has been enacted, guaranteeing certain Fundamental Rights and enunciating Directive Principles of State Policy. Planning has proceeded on an organised basis, and the first Five Year Plan has recently been completed. Parliament has accepted the socialist pattern of society as the objective of social and economic policy. These important developments necessitate a fresh statement of industrial policy, more particularly as the second Five Year Plan will soon be placed before the country. This policy must be governed by the principles laid down in the Constitution, the objective of socialism, and the experience gained during these years.

3. The Constitution of India, in its preamble, has declared that it aims at securing for all its citizens—

"JUSTICE, Social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all;

FRATERNITY assuring the dignity of the individual and the unity of the Nation,"

In its Directive Principles of State Policy, it is stated that—

"The State shall trive to promote the welfare of the people by securing and proetcting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.'

Further that—

"The State shall, in particular, direct its policy towards securing—

(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;

(d) that there is equal pay for equal work for both men and women;

(e) that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;

(f) that childhood and youth are protected against exploitation and gainst moral and material abandonment."

4. These basic and general principles were given a more pricese direction when Parliament accepted in December, 1954, the socialist pattern of society as the objective of social and economic policy. Industrial Policy, as other policies, must therefore be governed by these principles and directions.

5. In order to realise this objective, it is essential to accelerate the rate of economic growth and to speed up industrialisation and, in particular, to develop heavy industries and machine making industries, to expand the public sector, and to build up a large and growing

cooperative sector. These provide the economic foundations for increasing opportunities for gainful employment and improving living standards and working conditions for the mass of the people. Equally, it is urgent, to reduce disparities in income and wealth which exist today, to prevent private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals. Accordingly, the State will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake State Trading on an increasing scale. At the same time, as an agency for planned national development, in the context of the country's expanding economy, the private sector will have the opportunity to develop and expand. The principle of co-operation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector developed along co-operative lines.

6. The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in present circumstances, could provide, have also to be in the public sector. The State has therefore to assume direct responsibility for the future development of industries over a wider area. Nevertheless, there are limiting factors which make it necessary at this stage for the State to define the field in which it will undertake sole responsibility for further development, and to make a selection of industries in the development of which it will play a dominant role. After considering all aspects of the problem, in consultation with the Planning Commission, the Government of India have decided to classify industries into three categories, having regard to the part which the State would play in each of them. These categories will inevitably overlap to some extent and too great a rigidity might defeat the purpose in view. But the basic principles and objectives have always to be kept in view and the general directions hereafter referred to followed. It should also be remembered that it is always open to the State to undertake any type of industrial production.

7. In the first category will be industries the future development of which will be the exclusive responsibility of the State. The second category will consist of industries, which will be progressively State-owned and in which the State will therefore generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the effect of the State. The third category will include all the remaining industries, and

their future development will, in general, be left to the initiative and enterprise of the private sector.

8. Industries in the first category have been listed in Schedule A of this Resolution. All new units in these industries, save where their establishment in the private sector has already been approved, will be set up only by the State. This does not preclude the expansion of the existing privately owned units, or the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require. Railways and air transport, arms and ammunition and atomic energy will, hovever, be developed as Central Government monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure, either through majority participation in the capital or otherwise, that it has the requisite powers to guide the policy and control the operations of the undertaking.

9. Industries in the second category will be those listed in Schedule B. With a view to accelerating their future development, the State will increasingly establish new undertakings in these industries. At the same time private enterprise will also have the opportunity to develop in this field, either or its own or with State participation.

10. All the remaining industries will fall in the third category, and it is expected that their development will be undertaken ordinarily through the initiative and enterprise of the private sector, though it will be open to the State to start any industry even in this category. It will be the policy of the State to facilitate and encourage the development of these industries in the private sector, in accordance with the programmes formulated in successive Five Year Plans, by ensuing the development of transport, power and other services, and by appropriate fiscal and other measures. The State will continue to foster institutions to provide financial aid to these industries, and special assistance will be given to enterprises organised on co-operative lines for industrial and agricultural purposes. In suitable cases, the State may also grant financial assistance to the private sector. Such assistance, especially when the amount involved is substantial, will preferably be in the form of participation in equity capital, though it may also be in part in the form of debenture capital.

11. Industrial undertakings in the private sector have necessarily to fit into the framework of the social and economic policy of the State and will be subject to control and regulation in terms of the Industries (Development and Regulation) Act and other relevant legislation. The Government of India, however, recognise that it

would, in general, be desirable to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan. When there exist in the same industry both privately and publicly owned units, it would continue to be the policy of the State to give fair and non-discriminatory treatment to both of them.

12. The division of industries into separate categories does not imply that they are being placed in water-tight compartments. Inevitably, there will not only be an area of overlapping but also a great deal of dovetailing between industries in the private and the public sectors. It will be open to the State to start any industry not included in Schedule A and Schedule B, when the needs of planning so require or there are other important reasons for it. In appropriate cases, privately owned units may be permitted to produce an item falling within Schedule A for meeting their own requirements or as by-products. There will be ordinarily no bar to small privately owned units undertaking production, such as the making of launches and other light-craft, generation of power for local needs and small scale mining. Further, heavy industries in the public sector may obtain some of their requirements of lighter components from the private sector, while the private sector in turn would rely for many of its needs on the public sector. The same principle would apply with even greater force to the relationship between large scale and small scale industries.

13. The Government of India would, in this context, stress the role of cottage and village and small scale industries in the development of the national economy. In relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.

14. The State has been following a policy of supporting cottoge and village and small scale industries by restricting the volume of production in the large scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the State policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small scale pro-

ducer. For this it is essential that the technique of production should be constantly improved and modernised, the pace of transformation being regulated so as to avoid, as far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequacy of facilities for repair and maintenance are among the serious handicaps of small scale producers. A start has been made with the establishment of industrial estates and rural community workshops to make good these deficiencies. The extension of rural electrification and the availability of power at prices which the workers can afford will also be of considerable help. Many of the activities relating to small scale production will be greatly helped by the organisation of industrial co-operatives. Such co-operatives should be encouraged in every way and the State should give constant attention to the development of cottage and village and small scale industry.

15. In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. The lack of industries in different parts of the country is very often determined by factors such as the availability of the necessary raw materials or other natural resources. A concentration of industries in certain areas has also been due to the ready availability of power, water supply and transport facilities which have been developed there. It is one of the aims of national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, provided the location is otherwise suitable. Only by securing a balanced and co-ordinated development of the industrial and the agricultural economy in each region, can the entire ocuntry attain higher standards of living.

16. This programme of industrial development will make large demands on the country's resources of technical and managerial personnel. To meet these rapidly growing needs for the expansion of the public sector and for the development of village and small scale industries, proper managerial and technical cadres in the public services are being established. Steps are also being taken to meet shortages at supervisory levels, to organise apprenticeship schemes of training on a large scale both in public and in private enterprises, and to extend training facilities in business management in universities and other institutions.

17. It is necessary that proper amenities and incentives should be provided for all those engaged in industry. The living and work-

ing conditions of workers should be improved and their standard of efficiency raised. The maintenance of industrial peace is one of the prime requisites of industrial progress. In a socialist democracy labour is a partner in the common task of development and should participate in it with enthusiasm. Some laws governing industrial relations have been enacted and a broad common approach has developed with the growing recognition of the obligations of both management and labour. There should be joint consultation and workers and technicians should, wherever possible be associated progressively in management. Enterprises in the public sector have to set an example in this respect.

18. With the growing participation of the State in industry and trade, the manner in which these activities should be conducted and managed assumes considerable importance. Speedy decisions and a willingness to assume responsibility are essential if these enterprises are to succeed. For this, wherever possible, there should be decentralisation of authority and their management should be along business lines. It is to be expected that public enterprises will augment the revenues of the State and provide resources for further development in fresh fields. But such enterprises may sometimes incur losses. Public enterprises have to be judged by their total results and in their working they should have the largest possible measure of freedom.

19. The Industrial Policy Resolution of 1948 dealt with a number of other subjects which have since been covered by suitable legislation or by authoritative statements of policy. The division of responsibility between the Central Government and the State Governments in regard to industries has been set out in the Industries (Development and Regulation) Act. The Prime Minister, in his statement in Parliament on the 6th April 1949, has enunciated the policy of the State in regard to foreign capital. It is, therefore, not necessary to deal with these subjects in this resolution.

20. The Government of India trust that this restatement of their Industrial Policy will receive the support of all sections of the people and promote the rapid industrialisation of the country.

SCHEDULE A

1. Arms and ammunition and allied items of defence equipment.
2. Atomic energy.
3. Iron and Steel.
4. Heavy castings and forgings of iron and steel.
5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.
6. Heavy electrical plant including large hydraulic and steam turbines.
7. Coal and lignite
8. Mineral oils.
9. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
10. Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.
11. Mineral specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
12. Aircraft.
13. Air transport.
14. Railway transport.
15. Shipbuilding.
16. Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).
17. Generation and distribution of electricity.

SCHEDULE B

1. All other minerals except "minor minerals" as defined in Section 3 of the Minerals Concession Rules, 1949.
2. Aluminium and other non-ferrous metals not included in Schedule 'A'.
3. Machine tools.
4. Ferro alloys and tool steels

5. Basic and intermediate products required by chemical industries such as the manufacture of drugs, dyestuffs and plastics.
6. Antibiotics and other essential drugs.
7. Fertilizers.
8. Synthetic rubber.
9. Carbonisation of coal.
10. Chemical pulp
11. Road transport.
12. Sea transport.

APPENDIX III

(Vide para 2:8)

LIST OF SCHEDULED INDUSTRIES

1. METALLURGICAL INDUSTRIES:

A. *Ferrous*:

(1) Iron and steel (metal).

(2) Ferro-alloys.

(3) Iron and steel castings and forgings.

(4) Iron and steel structurals.

(5) Iron and steel pipes.

(6) Special steels.

(7) Other products of iron and steel.

B. *Non-ferrous*:

(1) Precious metals, includings gold and silver and their alloys.

(1A) Other non-ferrous metals and their alloys.

(2) Semi-manufacturers and manufactures.

22. FUELS:

(1) Coal, lignite, coke and their derivatives.

(2) Mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like.

(3) Fuel gases—(coal gas, natural gas and the like).

3. BOILERS AND STEAM GENERATING PLANTS:

Boilers and steam generating plants.

4. PRIME MOVERS (OTHER THAN ELECTRICAL GENERATORS):

(1) Steam engines and turbines.

(2) Internal Combustion engines.

5. ELECTRICAL EQUIPMENT:

(1) Equipment for generation, transmission and distribution of electricity including transformers.

(2) Electrical motors.

(3) Electrical fans.

(4) Electrical lamps.

(5) Electrical furnaces.

(6) Electrical cables and wires.

(7) X-ray equipment.

(8) Electronic equipment.

(9) Household appliances such as electric irons, heaters and the like.

(10) Storage batteries.

(11) Dry cells.

6. TELECOMMUNICATIONS

(1) Telephones.

(2) Telegraph equipment.

(3) Wireless communication apparatus.

(4) Radio receivers, including amplifying and public address equipment.

(5) Television sets.

(6) Teleprinters.

7. TRANSPORTATION:

(1) Aircraft.

(2) Ships and other vessels drawn by power.

(3) Railway locomotives.

(4) Railway rolling stock.

(5) Automobiles (motor cars, buses, trucks, motor cycles, scooters and the like).

(6) Bicycles.

(7) Others, such as fork lift trucks and the like.

8. INDUSTRIAL MACHINERY:

A. Major items of specialised equipment used in specific industries:

(1) Textile machinery (such as spinning frames, carding machines, power-looms and the like) including textile accessories.

(2) Jute machinery.

(3) Rayon machinery.

(4) Sugar machinery.

(5) Tea machinery.

(6) Mining machinery.

(7) Metallurgical machinery.

(8) Cemment machinery.

(9) Chemical machinery.

(10) Pharmaceutical machinery.

(11) Paper machinery.

B. General items of machinery used in several industries, such as the equipment required for various 'unit processes":

(1) Size reduction equipment-crushers, ball mills and the like.

(2) Conveying equipment-bucket elevators, skin hoists, cranes, derricks and the like.

(3) Size separation units-screens, classifiers and the like.

(4) Mixers and reactors-kneeding mills, turbo mixers and the like.

(5) Filtration equipment-filter presses, rotary filters and the like.

(6) Centrifugal machines.

(7) Evaporators.

(8) Distillation equipment.

(9) Crystalisers.

(10) Driers.

(11) Power driven pumps-reciprocating, centrifugal and the like.

(12) Air and gas compressors and vacuum pipes (excluding electrical furnaces).

(13) Refrigeration plants for industrial use.

(14) Fire fighting equipment and appliances including fire engines.

C. Other items of Industrial Machinery:

(1) Ball, roller and tapered bearings.

(2) Speed reduction units.

(3) Grinding wheels and abrasives.

9. MACHINE TOOLS:

Machine tools.

10. AGRICULTURAL MACHINERY:

(1) Tractors, harvestors and the like.

(2) Agricultural implements.

11. EARTH-MOVING MACHINERY:

Bulldozers, dumpers, scrapers, loaders, shovels, drag lines, bucket wheel excavators, road rollers and the like.

12. MISCELLANEOUS MECHANICAL AND ENGINEERING INDUSTRIES:

(1) Plastic moulded goods.

(2) Hand tools, small tools and the like.

(3) Razor blades.

13. COMMERCIAL, OFFICE AND HOUSEHOLD EQUIPMENT:

(1) Typewriters.

(2) Calculating machines.

(3) Air conditioners and refrigerators.

(4) Vaccum cleaners.

(5) Sewing and knitting machines.

(6) Hurricane lanterns.

14. MEDICAL AND SURGICAL APPLIANCES:

Surgical instruments-sterlisers, incubators and the like.

15. INDUSTRIAL INSTRUMENTS:

(1) Water meters, steam meters, electricity metres and the like.

(2) indicating, recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like.

(3) Weighing machines.

16. SCIENTIFIC INSTRUMENTS:

Scientific instruments.

17. MATHEMATICAL SURVEYING AND DRAWING INSTRUMENTS:

Mathematical, surveying and drawing instruments.

18. FERTILISERS:

(1) Inorganic fertilisers.

(2) Organic fertilisers.

(3) Mixed fertilisers.

19. CHEMICALS (OTHERS THAN FERTILISERS):

(1) Inorganic heavy chemicals.

(2) Organic heavy chemicals.

(3) Fine chemicals including photographic chemicals.

(4) Synthetic resins and plastics.

(5) Paints, varnishes and enamels.

(6) Synthetic rubbers.

(7) Man-made fibres including regenerated cellulose-rayon, nylon and the like.

(8) Coke oven by-products.

(9) Coal tar distillation products like naphthalene, anthracene and the like.

(10) Explosives including gun powder and safety fuses.

(11) Insecticides, fungicides, weedicides and the like.

(12) Textile auxiliaries.

(13) Sizing materials including starch.

(14) Miscellaneous chemicals.

20. PHOTOGRAPHIC RAW FILM AND PAPER:

(1) Cinema film.

(2) Photographic amateur film.

(3) Photographic printing paper.

21. DYE-STUFFS:

Dye-stuffs.

22. DRUGS AND PHARMACEUTICALS:

Drugs and pharmaceuticals.

23. TEXTILES (INCLUDING THOSE DYED, PRINTED OR OTHERWISE PROCESSED).

(1) made wholly or in part of cotton, including cotton yarn, hosiery and rope;

(2) made wholly or in part of jute, including jute, twine and rope;

(3) made wholly or in part of wool, including wool tops, woollen yarn, hosiery, carpets and druggets;

(4) made wholly or in part of silk, including silk yarn and hosiery;

(5) made wholly or in part of synthetic, artificial (man-made) fibres, including yarn and hosiery of such fibres.

24. PAPER PUMP INCLUDING PAPER PRODUCTS:

(1) Paper-writing, printing and wrapping.

(2) Newsprint.

(3) Paper board and straw board.

(4) Paper for packaging (corrugated paper, kraft paper, paper bags, paper containers and the like).

(5) Pulp-wood pulp, mechanical, chemical, including dissolving pulp.

25. SUGAR:

Sugar.

26. FERMENTATION INDUSTRIES:

(1) Alcohol.

(2) Other products of fermentation industries.

27. FOOD PROCESSING INDUSTRIES:

(1) Canned fruits and fruit products.

(2) Milk foods.

(3) Malted foods.

(4) Flour.

(5) Other processed foods.

28. VEGETABLE OILS AND VANASPATI:

(1) Vegetable oils, including solvent extracted oils.

(2) Vanaspathi.

29. SOAPS, COSMETICS AND TOILET PREPARATIONS:

(1) Soaps.

(2) Glycerine.

(3) Cosmetics.

(4) Perfumery.

(5) Toilet preparations.

30. RUBBER GOODS:

(1) Tyres and tubes.

(2) Surgical and medicinal products including prophylactics.

(3) Footwear.

(4) Other rubber goods.

31. LEATHER, LEATHER GOODS AND PICKERS:

Leather, Leather goods and pickers.

32. GLUE AND GELATINE:

Glue and gelatine.

33. GLASS:

(1) Hollow ware.

(2) Sheet and plate glass.

(3) Optical glass.

(4) Glass wool.

(5) Laboratory ware.

(6) Miscellaneous ware.

34. CERAMICS:

(1) Fire bricks.

(2) Refractories.

(3) Furnace lining bricks-acidic, basic and neutral.

(4) China ware and pottery.

(5) Sanitary ware.

(6) Insulators.

(7) Tiles.

35. CEMENT AND GYPSUM PRODUCTS:

(1) Portland cement.

(2) Asbestos cement.

(3) Insulating boards.

(4) Gypsum boards, wall boards and the like.

36. TIMBER PRODUCTS:

(1) Plywood.

(2) Hardboard, including fibre-board, chip-board and the like.

(3) Matches.

(4) Miscellaneous (furniture components, bobbins, shuttles and the like).

37. DEFENCE INDUSTRIES:

Arms and ammunitions.

38. MISCELLANEOUS INDUSTRIES:

Cigarettes.

Explanation 1.—The articles specified under each of the headings Nos. 3, 4, 5, 6, 7, 8, 10, 11 and 13 shall include their component parts and accessories.

Explanation 2.—The articles specified under each of the headings Nos. 18, 19, 21 and 22 shall include the intermediates required for their manufacture.

APPENDIX IV

(*Vide* Par. 2.4)

Serial No.	Industry	Unit	Plan period	Production target laid down during each Plan period	Production capacity in existence at the beginning of the Plan period	Production capacity licensed during each Plan period	Capacity actually set up during each Plan period	Production actually achieved during each Plan period
1	2	3	4	5	6	6	8	9
	Automobile Industries :							
1	Commercial vehicles, cars and Jeeps.	Nos.	I	30,000	30,000	29,000	29,000	25,350
			II	57,000	29,000	28,000	27,700	52,675
			III	100,000	56,700	39,500	31,300	70,736
2	Motor Cycles/Scooters and 3-wheelers.	Nos.	I	..	..	11,000	1,500	2,500
			II	11,000	1,500	36,000	24,500	25,490
			III	50,000	26,000	28,500	49,500	48,859
3	Switchgear and Controlgear :	Nos.	I II	Not included in the I and II Plan.				
	(*i*) H.T. Switchgear (11 KV)		III	2,250	330	3,606	1,320	*Rupees* 17 crores.
	(*ii*) L.T. Switchgear			18,000	1,000	17,972	3,500	
	(*iii*) Motor Controlgear			225,000	81,700	402,000	478,300	
	(*iv*) I.C. Switch & Switchfuse.			3,600,000	136,000	113,000	1,364,000	
	(*v*) Others, such as, H.R.C. Fuses and Insulators, etc.			..	..	..	..	
4	Transformers	KVA	I	450,000	304,000	247,000	353,000	629,000
			II	1,500,000	657,000	1,339,800	587,000	1,390,000
			III	*3,500,000	1,244,000	2,703,200	1,166,000	†4,500,000

*Target for distribution transformers.
†It includes 1.05/MKVA of Power Transformers.

1	2	3	4	5	6	7	8	9
5	Electric Motors	H.P.	I	‡320,000	149,500	416,200	113,500	271,000
			II	800,000 to 1,000,000	263,000	1,277,640	339,520	730,000
			III	2,500,000	602,520	1,876,660	947,480	1,750,000
6	Cables and Wires :							
	(*a*) A.C.S.R. & A.A.C.	Tons	I	8,000	2,500	10,870	10,870	8,870 (Tonnes)
			II	20,000	13,370	27,930	5,930	23,561
			III	55,000	19,300	47,625	56,625	40,424
	(*b*) V.I.R. & P.V.C.	Mili. Yards	I	105	65	89·8	89·8	86.89
			II	250	156·8	688·1	104·5	258 M. Metres
			III	600	261·3	281·3	749·3	366
	(*c*) Winding Wires .	Tons	I	1,875	450	702	702	679 (Tonnes)
			II	.	1,152	8,407	3,193	4,384
			III	24,000	4,345	25,342	13,813	9,000
	(*d*) Paper insulated power cables	Miles	I	400	..	384	..	.. (K.M.)
			II	1,600	384	2,524	384	992
			III	5,500	384	8,786	7,296	4,400
7	Electric lamps :							
	(*a*) G.L.S. & other similar lamps. .	Million Nos.	I	30	23·00	..	13·0	24·23
			II	50	36·00	26·13	7·13	41·82
			III	68	43·13	42·31	22·17	67·87
	(*b*) Miniature lamps	,,	I	16	0·9	..	10·3	1·80
			II	30	11·2	36·48	0·05	21·05
			III	50	19·25	14·57	9·50	28·66

	uorescent tubes	,,	I	No target	..	..	0·8	0·8
			II	2	0·8	5·92	0·4	1·66
			III	6	1·2	15·77	3·3	4·36
8	Radio .	Nos.	I	350,000	87,200	12,000	125,800	102,000
			II	300,000	213,000	113,725	66,180	280,123
			III	800,000	279,180	312,820	213,340	605,634
9	Fans	Nos.	I	320,000 to 350,000	288,000	..	113,700	287,336
			II	900,000	401,700	1,177,150	470,050	1,058,151
			III	2,500,000	871,750	97,200	648,400	1,358,300
10	Dry Battery .	Million Cells.	I	320·0	184·5	..	40·0	161·10
			II	275·0	224·5	60	..	214·20
			III	350·0	224·5	307	65·0	293·31
11	Storage Batteries .	Nos.	I	400,000	318,000	74,400	290,100	258,086
			II	600,000	290,100	170,600	89,200	521,200
			III	800,000	379,300	379,300	291,000	708,100
12	House Service Meters :							
	(*a*) Single Phase .	Thousand Nos.	I	Not included in the I Plan				
			II	1,000	334	964	50	505
			III	2,000	384	570	896	1,110
	(*b*) Poly phase	,,	I	Not included in the I Plan				
			II	115	..	172	..	..
			III	100	172	192	214	117·4
13	Domestic Refrigerators	Nos.	I	Not included in the I Plan				
			II	Not included in the II Plan				
			III	50,000	13,600	17,000	11,400	30,800
14	Room Air Conditioners	Nos.	I, II	Not included in the Ist and II Plans.				
			III	50,000	20,050	..	..	12,600

‡Upto 50 H.P.

1	2	3	4	5	6	7	8	9
15	X-Ray equipments	Rs. in lakhs	I II III	Not included in the I and II Plans 200	7	270	210	99
16	Scientific, Surveying, Industrial Process including Water Meters and thermometers, photographic Industries etc.	Rs. in lakhs	I II III	Not included in the I and II Plans 1,200	35	876	976	620
17	Sugar Mill Machinery	Rs. in Lakhs	I II III	Not included 200 1,400	Negligible Negligible 1,160	213 1,407 149	160 1,000 110	32·06 466·55 808·09
18.	Cement Mill Machinery	Rs. in Lakhs	I II III	Not included 250 450	Negligible Negligible 110	100 900 1,300	50 60 1,790	42·38 90·79 490·88
19	Boilers(in Private Sector)	Rs. in Lakhs	I II III	Not included Not included 2,500	Negligible Negligible 370	120 691 289	30 340 385	6·84 101·18 529·42
20	Pulp and Paper Machinery	Do.	I II III	Not included in the I Plan 400 650—700	Negligible 220	1,000 2,260	220 385	45 168
21	Dairy Machinery .	Do.	I II III	Not included in the I Plan .. 250	.. 257	128 129	.. 257	.. 236
22	Medical/Surgical Instruments .	Do.	I II III	Not included in the I and II Plans No target	Negligible	539	527	100

Metallurgical Industries (Sl. Nos. 23-26)

23	Steel Castings	Tons	I	Not included	..	..	15,620	15,000
			II	Not included	15,620	139,130	39,000	29,000
			III	200,000	54,620	431,112	122,720	89,626
24	Steel Forgings	Tons	I	Not included	..	..	41,340	..
			II	Not included	41,340	126,320	42,900	35,000
			III	200,000	84,240	345,910	71,910	67,800
25	C.I. Pipes	Tons	I	Not included	..	..	86,720	96,692
			II	Not included	86,720	1,051,360	269,620	209,110
			III	800,000	356,340	940,140	308,540	247,816
26	C.I. Castings (Commercial capacity)	Tons	I	Not included	..	..	265,400	..
			II	Not included	265,400	301,668	635,400	376,000
			III	1,200,000	900,800	938,300	832,855	800,000

Light Mechanical Engineering Industries (Sl. Nos. 27-30)

27	Bicycle	Nos.	I	530,000	120,000	833,000	760,000	513,000
			II	1,250,000	760,000	753,000	1,117,500	1,307,000
			III	2,500,000	1,117,500	..	1,679,000	1,570,550
28	Sewing Machines	Nos.	I	91,500	37,500	206,700	46,500	111,057
			II	300,000	46,500	323,500	267,400	297,300
			III	850,000	267,400	85,500	470,000	430,040
29	Ball & Roller Bearings.	Mill. Nos.	I	1·2	0·60	9·42	0·60	0·865
			II	2·4	0·60	18·04	1·70	3·16
			III	15·0	1·70	10·00	11·57	8·79
30	Typewriters	Nos.	I & II		Not included			
			III	100,000	45,000	96,400	66,400	39,558

1	2	3	4	5	6	7	8	9
	Heavy Mechanical Engineering Industries: (Sl. Nos. 31—36)							
31	Steel Pipes & Tubes	Tonnes	III	450,000	N.A.	971,280	319,680	262,000
32	Welding Electrodes	Mill. Rft	III	900	N.A.	1,836	943	718
33	Steel Structural .	Tons Lakhs	III	9	N.A.	5·3	2·6	3
34	Cranes	Tons	III	60,000	N.A.	55,000	16,300	10,000
35	Steel Wire Ropes . .	Tons	III	40,000	N.A.	47,000	29,000	15,000
36	Railway Wagons . . .	Nos. (in terms of 4-wheelers)	III	33,500	N.A.	8,620	17,485	29,409
			(I & II not included.)					
37	Agricultural Tractors	Nos.	I	Not included		..	..	..
		,,	II	..	..	9,000	Negligible	92
			III	10,000	Negligible	21,000	11,000	5,714
38	Diesel Engines	Nos.	I	50,000	6,320	30,970	33,600	10,000
		,,	II	20,500	40,000	49,449	7,700	43,408
		,,	III	66,000	47,700	8,546	52,500	93,100
39	Power Driven Pumps	Nos.	I	80,000 to 85,000	33,000	38,310	36,000	36,000
		,,	II	86,000	69,000	95,806	59,000	94,689
		,,	III	150,000	128,000	48,420	172,000	261,676
40	Compressors	Nos.	I	Not included		..	..	..
		,,	II	..	..	4,900	2,300	1,882
		,,	III	8,000	2,300	1,020	2,238	2,657
41	Road Rollers	Nos.	I	..	..	560	..	..
		,,	II	..	..	544	450	400
		,,	III	700	450	1,176	1,350	1,279

42	Shovels .	Nos.	I	Not included		..	..	..
		,,	II	..	..	50	Negligible	..
		,,	III	100	Negligible	50	100	80
43	Crawler Tractors	Nos.	I & II	Plan not included.				
			III	500	..	500	N.A.*	N.A.*
44	Motorised Scrapers & Dumpers	Nos.	I & II	Plan not included	..	..	..	..
			III	500	..	575	N.A.*	N.A.*
45	Cement	Mill. Tonnes	I	N.A.	3·3	7·9	1·6	20·23
			II	N.A.	4·9	6·5	4·4	32·48
		,,	III	15·0	9·3	4·3	2·7	47·16
	Timber Industries :							
46	Plywood .	Sq. ft.	I	114·2	44·94†	44·94†	44·94†	114·20
			II	160·7	114·2	140·40††	140·40††	160·70
			III	220·0 to 240·0	160·7	168·39††	140·40††	244·32
47	Hard board	Sq. ft.	I	Not included		..	..	..
			II	18·0	..	141·66	47·25	26·87
			III	80 to 100	18·0	121·00	110·25	55·60
48	Match .	. Million gross boxes.	I	35·3	29·1	35·3	..	34·08
			II	35·3	32·0	35·3	..	37·57
			III	45·3	37·5	45·3	..	N.A.
49	Particle Board .	Million Sq. ft.	I	Not included				
			II	Not included.		195·55	6·0	0·7
			III	N.A.	6·0	137·73	24·7	8·1
	Acids & Fertilizers Industris (Sl. Nos. 50-52)							
50	Sulphuric Acid	Tons.	I	200,000	150,000	390,092	92,000	166,910
			II	470,000	242,000	1,316,214	338,630	367,731
			III	1,500,000	580,630	2,152,360	501,690	663,622

*Production is being established in the Defence Sector.
†For teachest plywood only.
††Single shift basis.

1	2	3	4	5	6	7	8	9
51	Nitrogenous Fertilizers 'N'	Tons.	I	90,000	16,000	23,314	69,000	£0,041
			II	290,000	85,000	572,000	13,202	98,202
			III	800,000	98,202	1,753,000	331,064	231,426
52	Phosphatic Fertilizers P205	Tons	I	30,000	21,000	55,606	14,000	11,894
			II	120,000	35,000	477,624	17,441	52,441
			III	400,000	52,441	493,820	115,502	121,666
				Oil		*Oil cake/Rice bran*		*Oil*
53	Solvent Extraction Industry . .	Tonnes	I	15,000	..	391,500	136,500	5,765
			II	64,000	136,500	2,529,000	729,000	34,941
			III	210,000	556,260	2,079,300	1,684,800	67,600
				Oil	*Seed*	*Seed*	*Seed*	*Oil*
54	Cotton seed oil Industry . .	Tons.	I	12,500	5,000	185,100	81,400	6,000
			II	60,000	81,400	498,440	200,460	20,030
			III	100,000	179,283	939,960	561,960	40,000
	Rubber Industries (S. Nos. 55-57)							
55	Automobile tyres . . .	Million Nos.	I	Not included	0·96	0·03	0·03	0·957
			II	2·3	1·05	1·89	0·157	1·546
			III	3·85	1·46	1·74	2·0577	2·533
56	Bicycle tyres	,,	I	Not included	4·87	3·54	..	5·80
			II	20·00	6·87	8·28	7·533	11·14
			III	20·00	15·11	3·78	7·174	18·45
57	Carbon black	Tons	I	Not included		..	..	..
			II	..		13,400	..	..
			III	30,000		31,250	13,400	14,566

58	Alcohol .	.	Million Litres.	I	90·92	88·3	N.A.	34·9	65·7
				II	136·4	123·2	N.A.	59·1	93·9
				III	273	182·3	118·7	112·7	183·8
59	Acetic Acid	.	Tonnes	I	..	N.A.	3,109	3,109	N.A.
				II	..	3,109	7,576	480*	3,258
				III	28,000	3,589	5,137	8,416	8,231
60	Methanol	.	Tonnes	I & II	I and II Plan not included.		..		
				III	21,500	..	33,000		
61	Phenol .	.	Tonnes.	I	Not included		..		
				II	Not included		15,000		
				III	14,300		6,000		
62	Phathalic Anhydride	.	Tonnes	I	Not included		..		..
				II	Not included		6,000		
				III	10,000		9,600		
63	Synthetic Rubber .	.	Tonnes.	I	Not included		..	..	..
				II	Not included		20,000	..	..
				III	50,000		10,000	30,000	13,500
64	Rubber Chemicals .	.	Tonnes.	I	Not included		..	..	..
				II	Not included		2,250	..	..
				III	3,000		1,903	2,250	33,000
65	Soap	.	Lakh Tons.	I	2†	2·65	..†	..	0·99‡
			Lakh Tonnes	II	3†	2·53	0·18	4·48	1·43‡
			Do.	III	5†	2·50	0·07	0·07	1·67‡
66	Synthetic Detergent	.	Tonnes	Not included					
				II	..	..	7,200	7,200	1,654
				III	20,000	7,200	16,200	3,600	8,408

*Production stopped in 1965.

†Organized and unorganised sectors combined.

‡Organised units only.

1	2	3	4	5	6	7	8	9
67	Paper & Paper Boards	Tonnes	I	175,000	118,896	N.A.	210,000	184,884
			II	350,000	186,704	N.A.	410,000	345,325
			III	700,000	399,996	N.A.	669,000	538,668
68	Newsprint	Tonnes.	I	30,000	..	N.A.	30,000	3,500
			II	60,000	30,000	N.A.	..	22,598
			III	120,000	30,000	N.A.	..	30,499
69	Tanned hides & skins	Million Pieces	I	46·0	5·16	0·04	0·04	46·
			II	50·0	5·16	0·74	0·81	47·6
			III	52·0	5·97	0·15	0·46	69·1
70	Leather footwear	Million Pairs	I	91·0	4·72*	0·09*	0·09*	88·5
			II	102·0	5·97*	0·34*	1·04*	102·0
			III	140·0	7·01*	..	1·51*	140·0
71	Glass and glassware	Million Tonnes	I	168,500	213,250	124,750	77,770	125,000
			II	200,000	291,000	316,000	129,604	225,000
			III	440,000	383,000	114,780	184,000	296,000
72	Pesticides : B.H.C.	Tonnes	I	No target	..	2,500	2,500	N.A.
			II	2,500	2,500	4,10	1,400	3,891
			III	15,000	3,900	3,600	3,300	7,441
73	Pesticides : D.D.T.	Tonnes	I	No Target	..	..	700	N.A.
			II	2,800	700	2,640	2,100	2,838
			III	2,800	2,800	..	..	2,745
74	Asbestos Cement Sheets and pipes	Tonnes	I	N.A.	N.A.	..	N.A.	N.A.
			II	N.A.	N.A.	246,460	246,540	234,030
			III	550,000	246,540	468,460	205,460	420,000
	Drugs & Pharmaceuticals Industries (Sl. Nos. 75 to 84)							
75	Penicillin	M.M.U.	I	4·8	..	21·6	15	4·0
			II	40	15	43·4	50	39·7
			III	120	50	199	115	102·7

76	Streptomycin	Tonnes	I	Not included	..	..	..	..
			II	18	..	60·0	..	..
			III	150	..	145	105	100·7
77	Chloramphenicol	Tonnes	I	Not included	..	..	..	..
			II	10	3·6	17·0	10·8	3·8
			III	N.A.	N.A.	N.A.	N.A.	N.A.
78	Tetracyclines	Tonnes	I	Not included	..	..	..	..
			II	10	10·0†	19·5	10·0	2·2
			III	N.A.	N.A.	N.A.	N.A.	N.A.
79	Sulpha drugs.	Lbs.		400,000	601,690	211,244	796,400	186,317
		Tonnes	II	450	362	116·3	366	148
		Do.	III	1,000	366	541·0	556	267
80	P.A.S.	Tonnes	I	Not included	..	..	..	..
			II	113	36	160	148	83·0
			III	400	148	334	330	328·8
81	I.N.H.	Tonnes	I	Not included	..	..	..	..
			II	10	11·9	18·7	33·1	29·0
			III	100	33·1	92·6	71·6	57·0
82	Procaine Hcl.	Tonnes	I	Not included	..	..	..	..
			II	50	..	60·5	11·0	..
			III	N.A.	N.A.	N.A.	N.A.	N.A.
83	Anti-dysentry Drugs.	Tonne	I & II Plan not included		..	..	..	..
			III	75	77·9	76·2	77·9	69·8
84	Phyto Chemicals (excluding Quinine & its salts).	Tonnes	I and II Plan not included.		..	..	..	..
			III	76·4	39·2	64·30	62·8	39·4
85	Paints, Enamel & Varnishes	Tonns.	I	60,000	65,000	..	..	39,03
			II	60,000	65,000	3,150	3,150	51,000
			III	140,000	88,000	11,814	9,986 (Tonnes)	70,666

*Capacity for Western type footwear only. Capacity for Indian type footwear dependes upon demand.
†From imported penultimate products.

1	2	3	4	5	6	7	8	9
86	N.C. Lacquers	Lakh gallons	I 3 II 5 III included in Paints etc.	8				2·98 3·50 4·78
	Miscellaneous Chemical Industries (Sl. Nos. 87 to 90)							
87	Oxygen gas	Million Cubic Metres.	I & II III	Plan not included 38·24	.. 24·35	.. 35·1	.. 30·25	.. 29·7
88	Dissolved Acetylene Gas	Do.	I & II III	Plan not included 14·66	.. 3·82	.. 6·2	.. 7·08	.. 5·2
89	Nitrous Oxide Gas	Million Litres.	I & II III	Plan not included. 91·02	.. 100·0	.. 200·0	.. 100·0	.. 179·0
90	Carbon Dioxide Gas	Thousand Tonnes	I & II III	Plan not included 18·2	.. 12·0	.. 9·0	.. 3·6	.. 10·1
	Rayon and Synthetic Fibre Industries (Sl. Nos. 91 to 96).							
91	Viscose filament yarn	Million Kg.	I II III	25·0 27·0 34·5	4·4 8·3 22·0	8·1 15·3 12·4	8·4 13·6 12·0	7·3 19·8 36·2
92	Viscose Staple fibre	Million Kg.	I II III	14·0 14·5 29·0	.. 7·3 22·0	7·3 7·3 11·3	7·3 14·6 4·1	6·6 22·07 38·3
93	Acetate Yarn/staple included in Viscose filament yarn,	Million Kg.	I II III	.. 3·4 14·5	.. 1·8 1·8	1·8 1·8 3·0	1·8	.. 1·9 1·94

94	Capromononium rayon Yarn/Staple	Million Kg.	I	..		..		
			II	..		..		
			III	4·5		5·5		
95	Rayon tyre cord yarn	Million Kg.	I	..		..	..	..
			II	..		..	..	..
			III	9·0		7·8	11·0	8·5
96	Synthetic Yarn/fibre	Million Kg.	I	..		..	..	..
			II	..		..	..	..
			III	6·0		6·0	3·6	1·5
	Ceramics Industries (Sl. Nos. 97 & 98)							
97	Refractories	Million Tonnes	I	No target	N.A.	0·57	N.A.	0·29
			II	0·8	0·44	1·60	0·38	0·55
			III	1·5	0·82	0·88	0·42	0·70
98	Porcelain Insulators	Tonnes.	I	No target	N.A.	N.A.	N.A.	2,300
			II					6,250
			III	24,000	12,580	24,060	11,480	13,250
	Food Industries (Sl. No. 99 to 105)							
99	Biscuits.	M. Tonnes.	I	..	N.A.	N.A.	N.A.	11,765
			II	15,000	33,750	N.A.	N.A.	23,700
			III	40,000	30,528	4,550	..	44,049
100	Confectionary	M. Tonnes.	I	..	N.A.	N.A.	N.A.	7,840
			II	10,000	40,600	N.A.	..	17,000
			III	25,000	51,840	600	..	25,889
101	Liquid Glucose	M. Tonnes.	I	..	N.A.	N.A.	N.A.	219
			II	5,000	9,100	N.A.	3,800	8,690
			III	14,000	12,900	4,500	6,750	13,031
102	Dextrose	M. Tonnes.	I	..	N.A.	N.A.	N.A.	Negligible
			II	2,800	2,600	6,300	1,700	2,560
			III	10,000	4,300	7,512	2,900	5,840

1	2	3	4	5	6	7	8	9
103	Milk Powder	M. Tonnes.	I	..	N.A.	N.A.	N.A.	..
			II	No target	N.A.	3,499	1,200	588
			III	30,000	1,20	22,630	8,753	5,743
104	Malted Milk Food	M. Tonnes.	I	..	N.A.	N.A	..	..
			II	No target	..	1,308	1,308	1,112
			III	No target	2,316	4,199	2,399	5,125
105	Infant Milk Food	M. Tonnes.	I	..	N.A.	..	..	..
			II	No target	..	4,898	..	..
			III	6,000	4,000	6,000	3,898	5,281
106	Calcium Carbide	Tonnes	I	..	5,050*	5,050	5,050	3,181
			II	24,000	4,050	30,450	34,50c	7,058
			III	60,000	34,500	24,000	58,500	49,986
107	Potassium Chlorate	Tonnes	I	..	2,310	2,424	2,964	2,215
			II	..	2,964	1,890	4,854	2,892
			III	8,000	4,854	1,800	4,854	3,596
108	Hydrogen Peroxide	Tonnes	I	..	720	600	1,320	62
			II	..	1,320	2,280	3,000	1,306
			III	8,000	3,000	3,220	3,000	2,683
	Plastics Industries (Sl. Nos. 109 to 114) :							
109	P. F. Moulding powder	Tonnes p.a. on single shift basis.	I	No programme	800	..	1,182	984
			II	1,310	1,182	1,500	3,000**	2,111
			III	6,700	3,000***	2,950	2,950	3,400
110	U. F. Moudling Power	Do.	I	No programme	..	..	..	..
			II	500	..	1,360@	1,062	433
			III	4,450	950	278	..	1,200

111	C. A. moudling powder	Tonnes p.a. on single shift basis	I	No Programme	..	..	..	..
			II	900	..	..	..	..
			III	6,700@@@	..	5,700	2,400	1,100†
112	Polystyrene moudling powder	Do.	I	No Programme	..	..	..	..
			II	3,500	..	5,400@@	5,400	3,484
			III	13,400	5,400	8,850	..	5,700
113	Polyethylene moulding powder	Do.	I	No Programme	..	..	..	..
			II	5,100	..	6,200@@	6,200	5,800
			III	26,800††	6,200	31,300	5,300 to 7,600	13,250
114	P. V. C.	Do.	I	No Programme		..	..	..
			II	1,500		13,200	3,600	917
			III	13,400		44,000	6,000	12,220
	Alkalis and Allied Chemical Industries (Sl. Nos. 115 to 118) :							
115	Caustic Soda	Tons	I	33,000	27,500		44,800	35,471
		Do.	II	1,24,440	44,800	74,545	1,19,345	1,01,108
		Tonnes	III	34,000	1,19,345	1,51,055	2,70,400	2,18,198
116	Soda Ash	Tons	I	78,000	90,000	..	90,000	80,524
		Do.	II	2,68,000	90,000	1,27,000	2,17,000	1,51,948
		Tonnes	III	2,90,000	2,17,000	2,72,800	4,84,800	3,31,035

*Capacity of one unit for 1000 was revoked as there was complete breakdown in the plant and machinery.

**Two shift basis (expansion only).

***Two shift basis.

@Continuous operation.

@@Continuous operation.

@@@Including butyrate proppionate and ethym cellulose.

†Compounded from imported flakes.

††Including other polyolefines.

1	2	3	4	5	6	7	8	9
117	Sodium Bicarbonate	Tons	I	..	..	..	4,620	4,124
		Do.	II	..	4,620	7,000	12,120	8,250
		Tonnes	III	20,000	12,120	1,560	13,680	13,525
118	Sodium Hydrosulphite . .	Tons	I	..	..	..	..	..
		Do	II	..	..	..	2,300	798
		Tonnes	III	10,000	2,300	1,560	3,860	2,634

APPENDIX V

(*Vide* para 2-9)

Capacity and production in 1960-61, targets and estimates of capacity and production for 1965-66 and tentative targets for 1970-71 for important industries.

Industry	Unit	Actuals for 1960-61		Targets for 1965-66		Estimated actuals for 1965-66		Targets for 1970-71	
		Cap.	prod.	cap.	prod.	cap.	prod.	cap.	prod.
1	2	3	4	5	6	7	8	9	10
Machinary :									
1. Commercial vehicles . .	000 number	28·0	28·4	60·0	60·0	60·0	34·0	90·0	8·00
2. Passenger cars. . .	,,	20·2	26·6	30·0	30·0	30·0	24·5	50·0	60.0
3. Jeeps and station wagons . .	,,	5·5		10·0	10·0	12·0	10·0	25·0	20·0
4. Motor cycles, scooters and mopeds .	,,	23·0	17·6	48to60	50·0	150·0	50·0	150·0	120·0
5. Ball and roller bearings	Mill. number	1·7	3·2	11·0	15·0	27·0	9.0	35·0	30·0
6. Generators-thermal . .	Mill. K.W.	..	..	..	..	0·6		2·9	1·4
7. Generators-hydro . . .	,,	..				0·5		1·7	0·8
8. Turbines steam	,,	..	..	..		0·6		2·9	1·4
9. Turbines hydro	,,	..	..	..	..	0·5	....	1·7	0·8
10. Transformers 66 KV . . .	Mill. KVA	..	..	..	..	4·0	2·0	7·5	7·0

1	2	3	4	5	6	7	8	9	10
11. Transformers 33 KV and below	Mill KVA	1·40	1·39	4·0	3·5	3·0	3·3	5·5	5·0
12. Power boilers	Mill KW				..	1·1	neg.	2·2	1·4
13. Motors above 150 KW	,,	..	..	..	..	0·5		1·25	1·0
14. Motors 150 KW or below	,,	1·13	0·73	2·2	1·9	1·5	1·8	3·75	3·5
15. Switchgears and gears	Rs. crores	N. A.	4·0	..	..	18·0	17·0	50·0	40·0
16. Machine tools	,,	8·0	7·0	30·0	30·0	30·0	23·0	120·0	105·0
17. Metallurgical and other equipments	000 tonnes			80·0	15to20	30·0	11·0	100·0	70·0
18. Coal and other mining machinery	,,	..	..	45·0	20·0	45·0	7·0	60·0	50·0
19. Cotton textile machinery	Rs. crores	12·0	10·4	22·0	20·0	40·0	28·0	60·0	55·0
20. Jute machinery	,,	2·5	1·7	2·5	2·5	5·0	3·5	10·0	8·0
21. Paper machinery	,,	3·7	0·01	8·5	6·5	7·0	2·0	25·0	20·0
22. Suger machinery	,,	11·6	4·2	15to16	14·0	16·0	8·0	20·0	16·0
23. Cement machinery	,,	1·1	0·6	4·5	4·5	20·0	3·5	25·0	28·0
24. Railway wagons (in terms of 4 wheelers)	000 numbers	26·0	11·77	33·5	33·5	49·0	35·5	40·0	40·0
25. Agricultureal mechinery :									
(a) Agricultural tractors	,,	..	..	12·0	10·0	15·0	5·6	40·0	35·0
(b) Power driven pumps	,,	128·0	105·0	184·0	150·0	200·0	200·0	400·0	400·0
(c) Diesel engines	,,	47·7	43·2	72·0	66·0	100·0	85·0	200·0	200·0

APPENDIX VI

(*Vide* Para 2.179)

Fertilisers (Nitrogenous)

A. PROJECTS UNDER IMPLEMENTATION

1. *Public Sector.*					
1 Namrup . .	45,000	Urea Amm. sulphate.	55,000 100,000	Natural Gas	End of '67.
2 Gorakhpur .	80,000	Urea	179,320	Naphtha	End of '67.
3 Durgapur .	145,000	Urea	305,000	Naphtha	Middle of '69
4 Cochin . .	145,000	Urea	330,000	Naphtha	Middle of '69
5 Madras .	190,000	Comm. fertilisers Urea.	550,000 54,600	Naphtha	Middle of '69
6 FACT IV Stage Exp. .	22,000	Change in composition of Amm. Phos. 16:20 to 20:20		Naphtha	Middle of '69
TOTAL . .	627,000				
2. *Private Sector*:					
1 Visakhapatnam	80,000	Amm. Phos. Urea.	365,000 16,500	Naphtha	Middle of '67
2 Gujarat	96,000	Urea Amm. Sulphate Phosphate	100,000 256,000	Naphtha Refinery Gas	End of '67.
3 Kanpur . .	200,000	Urea	450,000	Naphtha	Middle of '68
4 Ennore Exp.	8,000	Amm. Sulphate	38,610	Naphtha	End of '68.
5 Kota (DCM)	130,000	Urea Diamm. Phos. Amm. Chloride	240,000 60,000 30,000	Naphtha	Middle of '69.
Total	514,000				
TOTAL A .	1,141,000				

B. PROJECT APPROVED IN PRINCIPLE

1. *Public Sector.*		Nil			
2. *Private Sector.*					
1 Goa . .	160,000	Urea	340,000	Naphtha	Middle of '70.

2 Kothagudam .	61,500	Urea	100,000	Naphtha	Middle of '70	
3 Mangalore	240,000	Urea Complex Fertiliser Calcium Amm. Nitrate.	115,000	Naptha	Middle of '70	
4 Gujarat Exp. .	92,000	Urea	200,000	Naphtha	Middle of '71	
TOTAL . .	553,500					
TOTAL B . .	553,500					

C. PROJECTS PROPOSED FOR IMPLEMENTATION

Public Sector :

1 Trombay Exp.	130,000	Urea	211,250	Naphtha	Beginning of '70
2 Haldia . .	200,000	To be decided		Naphtha	End of '70
TOTAL C .	330,000				

APPENDIX VII

(*Vide* Para 2·221)

Statement showing the the names of Automobile manufacturers, their capacities, production etc.

Name of manufacturer	Model of vehicle	Licensed capacity Nos./ annum	Installed capacity Nos./ annum.	Production					
				1961 Nos.	1962 Nos.	1963 Nos.	1964 Nos.	1965 Nos.	1966 upto Sept.
1	2	3	4	5	6	7	8	9	10
1. M/s. Hindustan Motors Ltd., Calcutta.	Hindustan Ambassador Car (14 H.P.)	10,000	15,000	11,056	13,438	8,621	15,351	15,558	14,644
	Bedford : Commercial Vehicles (G.V.W. 19,500 Lbs.)	15,000	19,000	4,096	4,947	5,815	4,940	4,855	3,149
2. M/s. Premier Automobiles Ltd., Bombay.	Fiat Car (11 H.P.) .	7,200	9,000	7,165	6,238	3,750	3,867	5,673	4,769
	Dodge/Fargo Commercial Vehicles (G.V.W. 19,000 Lbs.).	15,000	19,000	5,527	5,386	6,316	8,749	9,086	3,888
3. M/s. Standard Motors Products of India Ltd., Madras.	Standard Herald Cars (10 H.P.).	3,000	6,000	3,409	3,641	3,340	4,008	3,559	756
	1-ton trucks . . .	3,000	1,500	..	..	..	..	71	799
4. M/s. Tata Engineering & Locomotive Co. Ltd., Bombay.	Tata Mercedes Benz Commercial Vehicles (G.V.W. 19,000	24,000	24,000	12,000	12,196	12,424	14,367	17,328	13,846
	26,000								

1	2	3	4	5	6	7	8	9	10
5. M/s. Ashok Leyland Ltd., Madras.	Leyland 'Comet' Commercial Vehicles (G.V.W. 22,800 lbs.).	5,400	6,000	2,372	2,835	2,732	3,728	4,274	2,730
	'Beaver' Heavy Duty Vehicles.	2,000	1,000					4	113
6. M/s. Mahindra & Mahindra Ltd., Bombay.	Willys Jeeps—Jeep Utilities	15,000	10,000	5,959	6,869	7,815	10,300	10,483	6,883
	(Station Wagons) .	5,000	..	1,093	688	289	91	..	..
	Jeep Trucks (3/4 ton) .	5,000	2,000	852	679	307	45	..	704
7. M/s. Simpson & Co. Ltd., Madras.	3-5 ton Commercial Vehicles.	12,000	..	..	..	..	..		..
8. M/s. Bajaj Tempo Ltd., Bombay.	Tempo 3-Wheeler Commercial Vehicles.	4,000	4,000	793	850	888	1,688	1,681	1,199
TOTAL .	Cars	20,200	30,000	21,030	23,326	15,711	23,226	24,790	20,164
	Commercial Vehicles .	76,400	50,500	23,995	25,364	27,285	31,784	35,618	24,525
	Jeep Vehicles . .	25,000	12,000	7,904	8,236	8,411	10,436	10,483	7,587
	Tempo 3-wheeler .	4,000	4,000	793	850	888	1,688	1,681	1,199

APPENDIX VIII

(*Vide* para 3·28)

Statement showing particulars of rejected applications which were reconsidered.

Sl. No.	Name of Party	Item of manufacture	Reasons for initial rejection	Reasons for subsequent reconsideration	Final Decision taken thereon
1	2	3	4	5	6
1.	M/s. Thenkmane Corporation (P) Ltd., Madras.	Flow Meters.	The scheme was not found to be technically sound and involved heavy recurring foreign exchange expenditure for import of raw materials/ components.	The firm submitted revised proposals which were considered.	It was decided to reject the application.
2.	M/s. Universal General Agencies, New Delhi.	Typewriters.	The scheme involved substantial expenditure of foreign exchange for import of machinery etc.	The party represented stating that they would obtain the maximum equipment that is available indigenously & would reduce foreign exchange expenditure after finalising the foreign collaboration and discussing with the collaborators the details of the project.	It was decided to issue a letter of intent to the party subject to the fulfilment of certain conditions.

1	2	3	4	5	6
3.	M/s. Mahindra Engineering Co. Ltd., Calcutta.	Industrial Measuring Instruments and Automatic Control devices.	The scheme was proposed to be rejected on the ground that the existing and the anticipated demand for the instruments proposed to be manufactured would be adequately met by the public sector projects being set up. This decision was not, however, communicated to the party.	Before implementing the decision referred to, it was felt that the policy for licensing of capacity for the manufacture of various industrial process and control instruments in the private sector *vis a vis* the scope of production of public sector units being set up should be re-examined in detail. The Licensing Committee remitted this matter to an ad-hoc Committee headed by Prof. M. S. Thacker, Member of Planning Commission. After discussing the pros and cons of limiting production of industrial process and control instruments in the public sector units, vis a vis, allowing a certain quantum of development in the private sector also particularly for meeting the needs for three to four years, for which some arrangements were essential the committee recommended approval	It was decided to issue a letter of intent to the party subject to the fulfilment of certain conditions.

				of the applications of M/s. Mahindra Engineering Co. and M/s. Voltas.	
4.	M/s. Voltas Ltd., Bombay.	Industrial and Process Control Instruments.	Arrangements already existed for adequately meeting the current and the anticipated demand for the instruments proposed to be manufactured by the party.	Same as at item 3 above.	It was decided to issue a letter of intent to the party subject to certain conditions.
5.	M/s. Asian Distributors Ltd., Bombay.	Typewriters Adding and Calculating Machines.	There was no scope for creation of further capacity in this line of manufacture.	The State Government of Maharashtra represented that there is a vide gap between the targetted capacity and production for type writers and that there is scope for creating further capacity.	Earlier decision need not be revised.
6.	M/s. Hindustan Wire Products Ltd., Patiala.	Cotton, silk Paper covered wires & strips.	The case was rejected as the regionwise distribution of the capacity was already licensed.	A review of the winding wire industry was	This review was taken into consideration and the roposal was approved d a letter of intent issued.
7.	M/s. National Wire & Metal Industries, Bombay.	Paper covered wires and strips.	No scope for the further licensing.	Do.	Do.
8.	M/s. R.S. Traders, Bombay.	Tungston Wires.	No scope for additional capacity.	The party submitted a revised proposal for the manufacture of the tungston filaments from the tungston powder stage keeping in view thetargets of the Fourth Five Year Plan.	The revised proposal was considered and a letter of intent was issued to the party.

1	2	3	4	5	6
9.	M/s. Aluminium Industries Ltd., Kundara.	Conductor Acessories.	No scope for additional capacity.	The party represented stating that these accessories are required for the PVC & aluminium sheating cables.	The proposal was approved on reconsideration and a letter of intent was issued to the party.
10.	M/s. Philips India Ltd., Calcu a.	(i) Fluorescent Lamps including Reflector types. (ii) Fluorescent Powder. (iii) Glass Tubings. (iv) Glass Shells.	Application for the Fluorescent lamps was rejected due to no scope for additional capacity at that time.	Based on the view of the Planning Group set up for formulation of proposals for light electrical industries during the 4th Plan period, which recommended creation of additional capacity, and firm's own arrangements for financing imports, the request was reconsidered.	Do.
11.	Shri Ravider D. Amind, Baroda.	Power Tillers.	Earlier rejection was due to the fact that these schemes were not found to be satisfactory.	Subsequent reconsideration was on the basis of the initiative of the State Govt.	The earlier decision as up-held.
12.	M/s. Jyoti Ltd., Baroda.				
13.	M/s. Tractors & Bulldozers Ltd., Baroda.				
14.	M/s. Indequip Engingg. Ltd., Ahmedabad.				
15.	M/s. Agarwala Engg. Co., Calcutta.	Dazing equipment for Tractors.			
16.	M/s. Mc. Nall Bird Engg., Calcutta.	Haulages Hoists, Windered & Winches.	As the items proposed for manufacture as included in the manufac-	The party represented against this decision.	Their presentation was turned down.

			turing programme of programme of Mining and Allied Machinery Corporation and because the party wanted to have foreign collaboration for the manufacture of these items, the scheme was rejected.		
17.	M/s. Birla Jute Mfrg. Co Ltd., Calcutta.	Steel drums.	It was felt that grant of industrial licence would not be consistent with the overall approach of assisting the medium scale industries.	The party represented against the rejection.	Rejection decision was maintained on the ground that the item was on the rejection list and there was no shortage of drums and containers in the Calcutta area. The State Govt. again recommended the case but rejection decision was maintained.
18.	M/s. Kerala Rubber & Reclaims Ltd., Madras.	Reclaimed Rubber (for effecting substantial expansion).	The party had not implemented their approved scheme for manufacture of re-claimed rubber.	The party represented that the IFC who had to finance the imports of machinery were very particular that they must have some sort of assurance from the Govt. for further expansion of capacity and that the foreign exchange required for the import of machinery for the expansion should first earned by export of production from the initial capacity.	Their expansion proposal was approved subject to the condition that the party should first implement the scheme already approved and that the foreign exchange required for the import of machinery for the expansion should first be earned by export of production from the initial capacity.

1	2	3	4	5	6
19.	M/s. Britannia Biscuits Co. Ltd., Calcutta.	Biscuits (new units at Madras)	Already a unit had been licensed for location at Madras and the applicant company had two existing factories manufacturing biscuits at Bombay & Calcutta.	(*i*) There was scope for another unit in the Southern Region. (*ii*) Party undertook to manufacture special varieties of biscuits.	Proposal as approved on reconsideration and a letter of intent was issued to the party.
20	M/s. Allied Engg. Corpn. New Delhi.	Steel forgings.	As there as enough capacity approved these five schemes were initially rejected.	On the advice of the Planning Commission for creating further capacity in view of the re-assessment made by it, these schemes which were initially rejected were reconsidered.	The seschemes were approved for the grant of industrial licence.
21.	M/s. Laxmi Thunghunwala, Bombay.				
22.	M/s. Sahu Brothers, Bombay				
23.	M/s. Coventry Spg. & Engg., Calcutta.				
24.	M/s. Bhikubhai T. Patel, Bombay.				
25.	M/s. The Spectra Structurals Pvt. Ltd., Hyderabad.	Transmission Towers etc.	The officers' committee rejected this scheme on the ground of having enough capacity and difficulty in getting the raw material, zinc.	This matter was referred the Full Committees meeting held on 29-6-64	If the applicant made a fresh application after marking suitable arrangements for meeting the foreign exchange cost of imported zinc the matter may be reconsidered.
26.	M/s. Electric Construction & Equipment Co. Ltd., Calcutta.	Transformers (substantial expansion).	Application rejected as party had not been able to implement the expansion licence granted earlier.	Party represented.	Rejection maintained.

27.	M/s. Do.	Generators.	Application rejected as there was no further scope.	Do.	Do.
28.	Do.	Laminations for electric motors.	Do.	Do.	Do.
29.	M/s. India Meters Ltd., Madras.	Relays.	Application was rejected as scheme was not technically sound.	Do.	Do.
30.	M/s. Asiatic Oxygen Ltd., Howrah.	Semi Automatic Welding equipment.	Application rejected as party had not implemented the earlier licence granted more than three years ago for welding transformers.	Party represented.	Rejection maintained.
31.	M/s. Birla Gwalior P. Ltd., Calcutta.	Transformers	Application rejected as a number of other licences granted to this group for the same item were still under implementation.	Government of U.P. and the party represented.	Rejection maintained as two firms of this group had been issued letters of intent for this item and there was no further scope.
32.	Director of Industries, Punjab, Chandigarh.	Switchgear Transformers.	Rejected as there was no scope. But Punjab Govt. advised to apply for manufacture of capacitors.	Govt. of Punjab represented which is under consideration.	
33.	M/s. Meters & Instruments P. Ltd., New Delhi.	Motor starters switches, etc.	Rejected as there was no scope for further capacity.	Firm represented.	Representation turned down. But firm has subsequently advised that they will be able to manufacture all these items without any imported plant, and machinery & raw material. This is under consideration.

1	2	3	4	5	6
34.	M/s. Emco Electra P. Ltd., Bombay.	Switchgear Circuit breakers, etc.	Rejected as sufficient capacity had been licensed.	Party represented.	Rejection maintained.
35.	M/s. Larson & Toubre Ltd., Bombay.	Air circuit breakers.	Rejected on the ground that firm already holds two licences for manufacture of Switchgear items which were still to be implemented.	Firm represented.	Under consideration.
36.	M/s. M. P. Patel, Bombay.	Silicon Rectifiers.	Rejected and party advised to renew application after exploring possibility of obtaining crystals required for the manufacture of power rectifiers from USHA Rectifiers Corporation of India.	Party has represented.	It is under consideration.
37.	M/s. Zell-Ate P. Ltd., Bombay.	Lightening & Static charge eliminators.	Rejected on the ground that the equipment essentially use bare copper conductors and strips are in short supply.	Party represented.	Rejection maintained.
38.	M/s. Elpro International Ltd., Bombay.	Lightening arrestors (substantial expansion)	Rejected as the party had not achieved the capacity already licensed for this item.	Firm represented.	Do.
39.	M/s. Punjab Steel Rolling Mills, Baroda.	Heavy castings, all sorts of railway trucks, etc.	Rejected as there was acute shortage of pig iron & B.P. hard coke in the country.	Party & State Govt. represented.	Do.

40	M/s. P. N. Anantha Narayanan, Bombay.	Malleable Iron Castings.	Rejected as scheme was technically unsound.	Firm represented.	Rejection maintained. Also item has since been licensed.
41	M/s. Amrjyoti Castings & Engineering Co. Calcutta.	C.I. Castings & Malleable Iron castings.	Rejected as scheme was not technically sound & feasible and as there was accute shortage of pig iron & B.P. coke.	Party & State Govt. represented.	Rejected but State Govt. requested to advise the party to revise the scheme suitably so as to minimise foreign exchange expenditure. This item has since been delicensed.
42	M/s. Jamna Auto Industries, Jagadhri.	Valve springs etc.	Rejected as adequate capacity already licensed.	Firm represented.	Rejection maintained.
43	M/s. J. M. A. Industries Ltd., Delhi.	Hydraulic jacks.	Rejected as Hydraulic jacks upto 100 tonnes lifting capacity were on the banned list.	Do.	Do.
44	Shri Madan G. Sinhasane, Sangli.	Fuel Injection equipment.	Rejected as there was no scope for creation of additional capacity.	Do.	Do.
45	M/s. Janata Machine Tools P. Ltd., Bombay.	Grey Iron Castings & alloy cast Iron.	Rejected as items were in the banned list.	Party represented on the ground that the items were required for captive use.	Firm permitted to manufacture for captive use.
46	M/s. Kanpur Indl. Coop. Society Ltd., Kanpur.	Cast Iron Castings, Cold Rolled strips.	Rejected due to acute shortage of pig iron and B.P. Hard Coke & blooms.	Firm represented & requested for a licence for cold rolled strips only.	Party informed to submit fresh application giving detailed economics of the scheme for the manufacture of cold rolled strips.
47	M/s. Deepak Iron Foundry & Engg. Works, M.P.	High pressure service casting specials & fittings.	Rejected on the ground of acute shortage of pig iron and B.P. Hard Coke, in the country.	State Govt. requested for reconsideration.	Rejection maintained.

1	2	3	4	5	6
48	M/s. Lion Industries	Grey Iron Castings & Cast Iron Castings.	Rejected on the ground of acute shortage of pig iron and & B.P. Coke in the country.	Firm represented.	Rejection maintained.
49	M/s. Bihary Engineering Works Ltd., Madras.	Cast Iron Castings. (for enhanced capacity).	Do.	Firm represented stating that they would not require any additional B.P. Hard Coke.	Party permitted to manufacture enhanced capacity.
50	M/s. Orient Wire Industries (P) Ltd., Calcutta.	Ingot Moulds, Iron Castings, Sleepers, etc.	Do.	State Govt. represented.	Rejection maintained but State Govt. might advise the party to revise scheme suitably so as to minimise the foreign exchange expenditure Revised scheme if submitted can be considered on merits.
51	M/s. New Central Jute Mills Co. Ltd., Calcutta.	Grey Iron Castings.	Do.	Firm represented.	Rejection maintained.
52	M/s. Shree Swaminarayan Moulding & Engg. Works, Ahmedabad.	Petrol Engines of Small sizes	Rejected as the item was on the banned list. Party also not indicated technical specifications.	Do.	Rejection maintained. (Item has since been delicensed.)
53	Shri Badri Prasad Poddar, Calcutta.	Leaf & Coil Springs for automobiles for railways.	Rejected as capacity already licensed being adequate to meet the demand and no need to encourage fresh capacity involving foreign expenditure.	Do.	Rejection maintained.

54	M/s. Nigo's Corporation, Bombay.	Power driven pumps, Household grinding Mills, etc.	Rejected as sufficient capacity had been established.	State Govt. represented.	In the meantime the items were delicensed and State Govt. informed accordingly.	

APPENDIX IX

(*Vide* Para 3·84)

LIST OF PRIORITY INDUSTRIES

1. Motor cycles.
2. Scooters.
3. Bicycles.
4. Mopeds.
5. Agricultural Tractors.
6. Agricultural Machinery & Implements.
7. Pumps.
8. Fertilisers.
9. Pesticides.
10. Basic Metals—Iron & Steel, Copper, Aluminium, Zinc and Lead.
11. Industrial & Mining Machinery.
12. Iron & Steel Castings, forgings, Pipes & Structures.
13. Internal Combustion Engines.
14. Machine tools and accessories.
15. Workshop machinery & equipment other than machine tools.
16. Small tools incl. cutting tools, power tools and other workshop tools.
17. Coated and bonded abrasives and polishing wheels.
18. Industrial Furnaces.
19. Welding electrodes.
20. Ball and roller bearings.
21. Transformers, switchgears, motors, generators, power capacitors, rectifiers, relays and electric stampings.
22. Electrical Cables & Wires.
23. Storage batteries, dry batteries.
24. Electronic components.
25. Construction & earth moving equipment.
26. Cranes & hoist blocks.
27. Industrial fasteners.

28. Wire Ropes.
29. Scientific & Industrial instruments.
30. Cement.
31. Organic & inorganic heavy chemicals.
32. Fine chemicals.
33. Pulp, paper and newsprint.
34. Synthetic rubber.
35. Tyres and tubes.
36. Industrial explosives.
37. Industrial gases.
38. Drugs.
39. Medical & Surgical equipment and appliances.
40. Electro-medical & X-ray equipment.
41. Refractories, fire bricks and insulators.
42. Commercial vehicles including Jeeps & three wheelers.
43. Automobile ancillaries.
44. Trawlers, dredgers and fishing boats.
45. Leather and leather goods.
46. Optical and Laboratory glass and glass wool.
47. Jute textiles.
48. Tea.
49. Coffee.
50. Canned and preserved fish.
51. Sanitary cans.
52. Paints & Varnishes & enamels.
53. Man-made fibres.
54. Matches.
55. Telecommunications equipment.
56. Wagons.
57. Industrial refrigeration equipment.
58. Sugar.
59. Cotton textiles.

APPENDIX X

(*Vide* Para 3. 132)

List of Industries exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951 as on 20-5-1967.

Sl. No.	Industry	Scheduled Industry No.
1	Castings & forgings —Iron & Steel	1A(3)
2	Cast iron spun pipes	1A(5)
3	Structurals—fabricated	1A(7)
4	Steel ingots/billets—by electric furnace	1A(7)
5	Internal Combustion engines—N.V. upto 50 H.P.	4(2)
6	Electric Motors upto 50 H.P.	5(2)
7	Electric furnaces without import of switchgear & transformer	5(5)
8	Bicycles & components	7(6)
9	Tea machinery	8(5)
10	Power driven pumps	8B(11)
11	Air & gas compressors upto 6 c.m.m.	8B(12)
12	Fire fighting equipment	8B(14)
13	Coated Abrasives	8C(3)
14	Agricultural sprayers (except manual), conventional & knapsack type with indigenous engines.	10(2)
15	Hand Tools	12(2)
16	Sewing machines & components	13(5)
17	Weighing machinery	15(3)
18	Mathematical, surveying and drawing instruments	17
19	Mixed Fertilisers	18(3)
20	(*i*) Barium sulphate	19(1)
	(*ii*) Barium nitrate	
	(*iii*) Barium carbonate	
	(*iv*) Barium chloride	
	(*v*) Blank fixe	
	(*vi*) Calcium carbonate	
	(*vii*) Metallic stearates	
	(*viii*) Sodium aluminate	
21	(*i*) Activated bleaching earth	19(14)
	(*ii*) Activated carbon	

Sl. No.	Industry	Scheduled Industry No.
22	Paper writing, printing & wrapping	24(1)
23	Newsprint	24(2)
24	Paper board/straw board	24(3)
25	Paper for packaging	24(4)
26	Pulp—woodpulp, mechanical, chemical including dissolving pulp.	24(5)
27	Power Alcohol	26(1)
28	Solvent extracted oil	28(1)
29	Glue & gelatin	32
30	*Glass*—	
	(*i*) Sheet & Plate	33(2)
	(*ii*) Optical	33(3)
	(*iii*) Glass wool	33(4)
	(*iv*) Laboratory ware	33(5)
	(*v*) Miscellaneous ware	33(6)
31	Fire bricks	34(1)
32	Furnace lining bricks—acidic, basic & neutral	34(3)
33	Cement — portland	35(1)
34	Insulating boards	35(3)
35	Cypsum Boards, wall boards & the like	35(4)
36	Plywood	36(1)
37	Hard-board including fibre board, chipboard & particle boards.	36(2)

APPENDIX XI

(*Vide* Para 3-146)

Number of Licences revoked upto the period ending 31st March, 1966.

Scheduled Industry	Number of licences revoked	Break up of the years of issue of licences revoked	
1	2	3	
1 Metallurgical Industries :			
(A) Ferrous	219	1953	1
		1954	7
		1955	4
		1956	8
		1957	12
		1958	4
		1959	22
		1960	69
		1961	54
		1962	28
		1963	8
		1965	2
		TOTAL	219
(B) Non-Ferrous .	13	1953	1
		1960	4
		1961	2
		1962	5
		1963	1
		TOTAL	13
2 Fuels.	..	..	
3 Boilers and Steam generating plants	7	1955	1
		1960	1
		1961	2
		1962	2
		1963	1
		TOTAL	7

1	2	3	
4 Prime Movers (Other than Electrical generators).	8	1953	1
		1955	1
		1959	1
		1960	2
		1961	2
		1962	1
		TOTAL	8
5 Electrical Equipment	50	1952	1
		1953	2
		1954	2
		1956	2
		1957	2
		1958	3
		1959	12
		1960	11
		1961	12
		1962	2
		1964	1
		TOTAL	50
6 Telecommunications	17	1955	1
		1956	2
		1957	1
		1960	6
		1961	6
		1962	1
		TOTAL	17
7 Transportation	61	1954	4
		1955	6
		1956	11
		1957	1
		1958	3
		1959	7
		1960	14
		1961	8
		1962	5
		1963	1
		1964	1
		TOTAL	61

1	2	3	
8 Industrial Machinery :			
(A) Major items of specialised equipment.	32	1953	1
		1956	1
		1957	1
		1959	3
		1960	11
		1961	10
		1962	4
		1963	1
		TOTAL	32
(B) General items of machinery used in several industries, such as the equipment required for various "Unit processes".	24	1953	2
		1955	1
		1956	1
		1957	1
		1958	1
		1959	4
		1960	5
		1961	2
		1962	5
		1963	2
		TOTAL	24
(C) Other items of Industrial Machinery.	10	1959	1
		1960	3
		1961	3
		1962	3
		TOTAL	10
9 Machine Tools	26	1956	1
		1957	1
		1959	5
		1960	8
		1961	6
		1962	4
		1963	1
		TOTAL	26
10 Agricultural Machinery .	3	1955	1
		1960	2
		TOTAL	3

1	2	3	
11 Earth Moving Machinery	3	1959	2
		1961	1
		TOTAL	3
12 Miscellaneous Mechanical and Engineering Industries.	41	1953	1
		1956	2
		1957	2
		1959	4
		1960	10
		1961	13
		1962	6
		1963	3
		TOTAL	41
13 Commercial, Office and Household equipment.	6	1956	1
		1960	1
		1961	4
		TOTAL	6
14 Medical and Surigical appliances.			..
15 Industrial Instruments.	19	1956	1
		1960	3
		1961	5
		1962	9
		1963	1
		TOTAL	19
16 Scientific Instruments.	4	1959	1
		1960	2
		1962	1
		TOTAL	4
17 Mathematical, Surveying and Drawing Instruments.	2	1961	2
		TOTAL	2

1	2		3
18 Fertilizers	7	1954	1
		1955	1
		1960	3
		1961	2
		TOTAL	7
19 Chemicals (Other than Fertilisers)	96	1952	1
		1953	2
		1954	2
		1955	11
		1956	6
		1957	3
		1958	3
		1959	10
		1960	23
		1961	12
		1962	14
		1963	9
		TOTAL	96
20 Photographic Raw Film and Paper		..	
21 Dye-Stuffs	2	1956	1
		1959	1
		TOTAL	2
22 Drugs and Pharmaceuticals	28	1953	1
		1954	4
		1955	1
		1956	2
		1959	4
		1960	5
		1961	2
		1962	5
		1963	2
		1964	2
		TOTAL	28

1	2	3	
23 Textiles (including those dyed, printed or otherwise processed).	299	1953	10
		1954	13
		1955	29
		1956	17
		1957	59
		1958	7
		1959	3
		1960	9
		1961	17
		1962	68
		1963	28
		1964	39
		TOTAL	299
24 Paper and Pulp including paper products.	115	1953	1
		1954	1
		1955	1
		1956	4
		1957	4
		1958	4
		1959	3
		1960	64
		1961	26
		1962	1
		1963	6
		TOTAL	115
25 Sugar . .	25	1953	4
		1954	5
		1955	3
		1956	5
		1957	1
		1961	7
		TOTAL	25
26 Fermentation Industries . .	13	1956	1
		1957	1
		1958	1
		1959	1
		1960	5
		1961	3
		1962	1
		TOTAL	13

1	2		3
27 Food Processing Industries . . .	9	1959	3
		1960	3
		1961	3
		TOTAL	9
28 Vegetable Oils and Vanaspati	106	1953	10
		1954	1
		1955	4
		1956	3
		1957	6
		1958	2
		1959	23
		1960	39
		1961	11
		1962	6
		1963	1
1		TOTAL	106
29 Soaps, Cosmetics and Toilet Preparation	2	1962	1
		1963	1
		TOTAL	2
30 Rubber Goods . . .	17	1953	3
		1954	1
		1959	1
		1960	5
		1961	6
		1962	1
		TOTAL	71
31 Leather, Leather Goods and Pickers .	1	1959	1
		TOTAL	1
32 Glue and Gelatin . .	7	1955	1
		1957	1
		1959	1
		1960	1
		1961	3
		TOTAL	7

1	2		3
33 Glass .	28	1953	1
		1954	2
		1955	2
		1956	3
		1959	4
		1960	11
		1961	2
		1962	1
		1964	2
		TOTAL	28
34 Ceramics . . .	59	1954	1
		1955	1
		1956	7
		1957	1
		1958	3
		1959	4
		1960	26
		1961	10
		1962	3
		1963	2
		1964	1
		TOTAL	59
35 Cement and Gypsum Products.	35	1953	1
		1954	3
		1955	5
		1956	9
		1957	4
		1959	1
		1960	5
		1961	4
		1963	3
		TOTAL	35
36 Timber Products .	18	1957	2
		1958	1
		1959	2
		1960	8
		1961	5
		TOTAL	18

1	2		3
37 Decence Industries	1	1963	1
		TOTAL	1
38 Miscellaneous Industries	1	1958	1
		TOTAL	1
		GRAND TOTAL	1414
Break-up of the years of issue of Licences revoked			
		1952	2
		1953	42
		1954	47
		1955	74
		1956	88
		1957	103
		1958	33
		1959	125
		1960	358
		1961	245
		1962	177
		1963	72
		1964	46
		1965	2
		TOTAL	1,414

APPENDIX XII

(*Vide* Para 3·167)

List of 71 items not allowed for diversification of production for manufacture of new articles.

1. Welded Wire Mash.
2. Expanded Metal.
3. Beam Scale.
4. Barbed Wire.
5. Machine screws.
6. Wood screws.
7. Ordinary Bolts and Nuts.
8. Builders' Hardware.
9. Collapsible Tubes.
10. Cycle Pumps.
11. Students Microscopes.
12. Diomand Tools.
13. Steel Wool.
14. Hurricans Lanterns.
15. Electric Fans.
16. Electric Cables and Wires (Low tension, i.e., upto 500 volts).
17. Domestic Electric Appliances (such as Electric Iron, Roasters, Healters and the like.
18. Radio Receivers (non-excisable, i.e., those with sale price not exceeding Rs. 165).
19. Bicycles and Parts.
20. Sewing Machines & Parts (Domestic).
21. Water Meters.
22. House Service Meters.
23. Hand Numbering Machines.
24. Tape Recorders.
25. Metal Clad Switches.
26. All Wire Products such as Wire Nails, Hob Nails, Panel Pins Horse shoe Nails.
27. Rivets of all types (including bifurcated).

28. Wire Brushes and Fibre Brushes.
29. Conduit Pipes.
30. Cycle Accessories (Carriers, Lamps, Bells).
31. Machine Shop Vices.
32.
33. Pencil Sharpeners.
34. Insecticide Dusters and Sprayers (Mannal).
35. Rolling Shutters.
36. Gun Metal Bushes.
37. Cast Iron Pipes and Fittings.
38. Plaster Boards.
39. Pine Oil.
40. Palm Rosa Oil.
41. Absorbant Cotton.
42. Surgical Gloves.
43. Fireworks.
44. Miniature Bulbs.
45. Housing Electrical Accessories.
46. Hypodermic Needles.
47. Spindle Inserts.
48. Automobil Leaf Springs.
49. Automobil Radiators.
50. Safety Matches.
51. Laundry Soap.
52. Leather Footwear.
53. Paper Conversion Products.
54. L.T. Insulators (Below 2·2 KV).
55. Plastic Processed Products:—

(i) Bottle caps, buttons, lamp shades etc. produced by the compression moulding technique.

(ii) Plastic articles manufactured from plastic sheets, rods or tubes by the fabrication technique including the technique of vaccum forming.

(iii) Polythelene films (films with a thickness of less than 1 mm) and products from the film such as bags etc.

(iv) Monofilaments from polyolafines.

(v) Blow-moulded containers and other similar products manufactured by the blow moulding technique.

(vi) Finished products manufactured from expanded (foamed) Polystyrene beads.

(vii) Manufacture of polyster sheets for buttons and the processing of the sheets so produced to manufacture buttons.

(viii) Spectacle frames from sheets by fabrication.

56. Thermometers (upto 150°-C).

57. Roofing, Flooring and Glazed Tiles.

58. Glass holloware by semi-automatic process or glass products which may be made by the batch process.

59. Fine Chemicals.

60. Formulated Perfumery Compounds.

61. Detergent Formulations.

62. Pesticide Formulations.

63. Paints and Varnishes—Dry distempers, Red lead, Red Oxide, Aluminium Paints, Bitumen Paints to IS specification, Wagon Blocks, Graphite Paints, all Paste Paints.

64. Dyes—(i) Azo dyes (ii) Basic dyes (iii) all processed dyes such as stablised Azoics, Indogosols, Vat dyes paste, Pigment Paste, Pigment Emulsions.

65. Cealed Beams.

66. Barium Salts

67. Bichromates.

68. Copper Sulphate.

69. Bismuth Salts.

70. Nitric Acid (from Saltpetre).

71. Potassium Permanganate.

APPENDIX XIII

(*Vide* Para 4:36)

Form 'G' to Report on the Progress made in the Establishment of Industrial Undertakings

(Prescribed under Rule 19 of the Registration and Licensing of Industrial Undertakings Rules, 1952 (as revised).

This form is to be used for reporting progress made in the following cases:

(a) In the establishment of industrial undertakings or substantial expansions, whether registered or licensed;

(b) In the manufacture of new articles;

(c) In changing the location of industrial undertakings.

1. Scheduled industry to which the articles manufactured by the undertaking relate.

2. Name and address of the industrial undertaking.

3. Number and date of the Registration Certificate/Licence/Permission issued to the undertaking.

In the case of Establishment of Industrial Undertakings or manufacture of new articles.

4. (a) In the case of a public company within the meaning of the Companies Act, 1956.

What percentage of the total issued capital has been paid up?

(b) In the case of others.

What percentage of the total capital required for the purpose has been raised?

5. What percentage in value of total requirements of capital equipment has been—

(a) ordered and received.

(b) Ordered and not yet received (indicate the expenditure incurred on this item during the period covered by the Report.)

6. Whether land has been acquired for the factory (Indicate the expenditure incurred on this item during the period covered by the Report).

7. Progress made in the construction of the factory and the installation of plant and machinery. (Indicate the expenditure incurred on this item during the period covered by the Report).

8. Progress made in getting supply of power and water.

9. Progress made in the recruitment of foreign technicians, if any.

(Indicate the expenditure incurred on this item during the period covered by the Report).

10. Staff and Labour	Employed before the implementation of the project.	Now employed
(*a*) Managerial		
(*b*) Supervisory—		
Technical		
Non-Technical		
(*c*) Clerical		
(*d*) Labour—		
Skilled		
Semi-skilled		
Unskilled.		
(*e*) Other categories, if any.		

11. Principal raw materials stocked. (Indicate the expenditure incurred on this item during the period covered by the Report).

12. Product and bye-product now manufactured.

Name of Product or bye-product	*Present monthly installed capacity	Present daily output

*Basis of estimating installed capacity should be clearly stated, *viz.*, whether operation is continuous or shift-wise and the number of days in a month and the number of shifts in a day assumed in estimating monthly capacity.

In the case of Substantial Expansions or change of location

13. (a) In the case of a public company within the meaning of the Companies Act, 1956.

What percentage of the total issued capital has been paid up?

(b) In the case of others.

What percentage of the total capital for the purpose has been raised?

14. Whether any land required for the undertaking has been acquired.

15. Progress made in the construction of factory buildings and the installation of plant and machinery at the new site.

16. Whether additional power and water required has been secured.

17. Progress made in the requirement of foreign technicians, if any. Number and types secured.

18. What percentage in value of total requirement of the capital equipment has been—

(a) ordered and received.

(b) ordered and not yet received.

19. Staff and Labour	Employed before the substantial expansion or change of location was undertaken.	Now employed
(a) Managerial		
(b) Supervisory—		
Technical		
Non-Technical		
(c) Clerical		
(d) Labour—		
Skilled		
Semi-skilled		
Un-skilled		
(e) Other categories, if any		

20. Product and bye-product manufactured.

Name of product or bye-Product	*Present monthly installed capacity	Present daily output.

*Basis of estimating installed capacity should be clearly stated, *viz.*, whether operation is continuous or shiftwise, and the number of days in a month and the number of shifts in a day assumed in estimating monthly capacity.

Place.....

Date .....

Signature of the holder of Registration Certificate/Licence/Permission.

APPENDIX XIV

(*Vide* para 6.1)

PARTICIPATION OF FOREIGN CAPITAL IN INDUSTRIES

Prime Minister's statement in Parliament: April 6, 1949.

".....The policy as regards participation of foreign capital has already been announced in broad terms in Government's resolution of the 6th April, 1948. The stress on the need to regulate, in the national intereset, the scope and manner of foreign capital arose from past association of foreign capital and control with foreign domination of the economy of the country. But circumstancehs today are quite different. The object of our regulation should, therefore, be the utilisation of foreign capital in a manner most advantageous to the country. Indian capital needs to be supplemented by foreign capital not only because national savings will not be enough for the rapid development of the country on the scale we wish but also because in many cases scientific, technical and industrial knowledge and capital equipment can best be secured along with foreign capital.

"In this context, foreign investors would no doubt wish to have some clear indication of our policy on certain matters, like the repatriation of capital, the remittance of profits, and the treatment of foreign enterprise *vis-a-vis* Indian enterprise. I propose to make the policy of Government quite clear in the matter.

"In the first place, I would like to state that Government would expect all undertakings, Indian or foreign to conform to the general requirements of their industrial policy. As regards existing foreign interest Government do not intend to place any restrictions or impose any conditions which are not applicable to similar Indian enterprise, Government would so frame their policy as to enable further foreign capital to be invested in India on terms and conditions that are mutually advantageous.

"Secondly, foreign interests would be permitted to earn profits, subject only to regulations common to all. We do not foresee any difficulty in continuing the existing facilities for remittance of profits and Government have no intention to place any restriction on withdrawal of foreign capital investments, but remittance facilities

would naturally depend on foreign exchange considerations. If, however any foreign concerns come to be compulsorily secured, Government would provide reasonable facilities for the remittance of proceeds.

"Thirdly, if and when foreign enterprises are compulsorily required compensation will be paid on a fair and equitable basis as already announced in Government's statement of policy.

"Government have stated before that, as a rule, the major interest ownership and effective control of an undertaking should be in Indian hands. They have also stated that power will be taken to deal with exceptional cases in a manner calculated to serve the national interest. Obviously there can be no hard and fast rule in this matter. Government will not object to foreign capital having control of a concern for a limited period if it is found to be in the national intereset and each individual case will be dealt with on its merits, in the matter of employment of non-Indians in posts requiring technical skill and experience, when Indians of requisite qualification are not available, but they attach vital importance to the training and employment of Indians even for such posts in the quickest possible manner.

I should like to add a few words about British interests in India which naturally form the largest part of foreign Investments in India. Although it is the policy of the Government of India to encourage the growth of Indian industry and commerce (including such services like Banking, Shipping and Insurance) to the best of their ability, there is and will still be considerable scope for the investment of British capital in India. These considerations will apply equally to other existing non-Indian interests. The Government of India have no deseire to injure in any way British or other non-Indian interests in India and would gladly welcome their contribution in a constructive and co-operative role in the development of India's economy.

APPENDIX XV

(*vide* para 6·2)

Statement showing Industry wise distribution of Foreign Collaboration cases approved during 1951-65.

S. No.	Type of Industry	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1.	Food Manufacturing Industries except Beverage Industries sugar . .										4	5	..	6	2	..	17
2.	Manufacture of Textiles Spinning, Weaving and Finishing of Textiles .	2	6	5	4	5	15	4	9	17	7	7	6	8	5	4	104
3.	Manufacture of Artificial Fibres				1	1		1	..		2	..	6	..	2	..	13
4.	Manufacture of Wood & Cork except Manufacture of Furniture . . .	1	..							1	1	2	2	2	1	1	11
5.	Manufacture of Paper & Paper Products . . .	..			2	..	..	1	1	2	7	6	3	8	10	2	42
6.	Manufacture of Basic Industrial Chemicals including Fertilisers . . .					1	4	..	1	..	14	7	18	6	10	16	77
7.	Manufacture of Vegetable & Animal Oil & Fats . .					1						1					2
8.	Manufacture of Miscellaneous Chemical Products .	12	3	6	13	10	3	14	1	19	34	50	29	39	31	22	296

9.	Manufacture of Glass & Glass Products	2	1		1	2	3	2	2	2	4	8	5	5	2	1	40
10.	Manufacture of Pottery, China & Earthenware			..	10	..	..	..		..	1	..	..	..	6	1	18
11.	Manufacture of Cement			1	2	..	1	1		3	3	5	3	..		6	35
12.	*Basic Metal Industries* :																
	Iron & Steel		2	1	3		3	1		2	3	8	14	6	13	1	57
	Non-Ferrous Metals		..	2	1		2	1			3	..	6	2	1	4	22
13.	Manufacture of Metal Products except Machinery & Transport Equipment	3	2	4	3	5	3	3	5	2	20	17	16	28	24	12	147
14.	Manufacture of Machinery except Electrical Machinery	9	4	5	8	20	23	15	32	59	58	33	84	25	70	54	499
15.	Manufacture of Rail-Road Equipment		1	1		2		1		5	10	17	4	2	1	2	46
16.	Manufacture of Motor vehicles & Ancillaries	4	2	2	3	10	6	6	8	13	26	18	38	21	29	14	200
17.	Manufacture of Electrical achinery, Apparatus, Appliances & Supplies	5	5	3	4	7	7	15	16	6	43	90	70	46	37	25	379
18.	Manufacture of Bicycles	1	..	1	1	..	3	2	2	1	2	3	3	..	..	1	20
19.	Miscellaneous Manufacturing Industries	2	2	10	7	10	8	9	16	34	68	82	39	47	27	40	401
20.	Electric Light & Power	..	..	1	..	..		..	..	17	3	..	1	..	2	..	24
21.	Electricity, Gas & Steam	..	..			..			..	2	2	10	6	1	..	..	21

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
22.	Mining and Quarrying:																
	(i) Coal	..					..		..		..	1	..	2	..		3
	(ii) Store Quarrying Minerals	6				1	1		1		4	1	4	8	1		27
	(iii) Petroleum & Natural Gas	..									2		1	2	..	..	5
23.	Hotel Industry . .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
24.	Miscellaneous . .	5	4	8	8	3	11	3	10	23	7	21	22	24	15	7	171
	TOTAL	52	32	50	71	78	93	79	104	208	328	392	380	288	289	223	2667

APPENDIX XVI

(Vide Para 6.5)

F. No. 1|11|63-F(INV)

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

New Delhi, the 18-1-64

OFFICE MEMORANDUM

Certain delegation had been made to the Ministry of Commerce and Industry to enable them to take quick decisions on certain types of cases involving foreign collaboration without the necessity of referring each such case to the Ministry of Finance, Deptt. of Economic Affairs. Now that several Ministries have to consider cases of foreign collaboration, it has been decided that pending a further review of these delegations the Ministries of Petroleum and Chemicals, Steel, Mines and Heavy Engineering should also exercise these powers in respect of industries which are under them. The delegations made from time to time have been specified in a number of office orders issued by the Ministry of Commerce & Industry. For convenience, these are summarised below.

2. Ministries/Departments concerned may without prior reference to the Department of Economic Affairs issue approval in cases where the total payment of royalty/research fee/know-how fee does not exceed 5% taxable of the annual turnover for a period not exceeding ten years; provided that in the opinion of the Ministries concerned the industry is one in which the securing of foreign technical collaboration is essential and the proposed payment is not unreasonably high. Where a recurring royalty payment has to be made in addition to foreign capital participation, if the foreign capital participation is in a majority, Ministries concerned may sanction royalty upto 3%. Sometimes, a lump sum payment has to be made for technical collaboration for items like detailed engineering supply of working drawings, training facilities for technicians etc. Where such payments taken together do not exceed 5% of the value of the imported plant or machinery with or without any royalty payments, the cases can be approved by the Ministry con-

cerned without reference to the Department of Economic Affairs. Where no recurring royalty payments are involved, the Ministries concerned can approve of payments not exceeding 10% of the issued equity capital on account of know-how, drawings etc., as free shares of 10% of the value of imported equipment as a lump sum payment. The Ministries concerned can also sanction payment for drawings know-how and technical fees and other lump sum payments upto 5% of the value of one year's turnover without prior reference to the Department of Economic Affairs. If a higher initial payment is considered to be necessary in any particular case, the higher payment could be agreed to by the Ministry concerned without prior reference to the Department of Economic Affairs on condition that the periodic royalty payment (in addition to the lump sum payment) is below the ceiling of 5% royalty per annum for a period of 10 years, that is, the overall liability for all payments for royalty, know-how technical and other lump sum payments, shall not exceed 5% of the annual turnover over 11 years. Where higher payments are considered necessary, the Ministry concerned will obtain the prior approval of the Department of Economic Affairs in the usual manner.

3. These delegated powers should be read along with the broad policy which is followed in dealing with cases involving foreign investment as outlined in the then Ministry of Commerce and Industry Memorandum No. 1(1)/61-FC dated the 15th April, 1961.

4. The scope of the delegation of powers to the Ministry/Department, however, is subject to consultation with the Technical Development Directorate and/or other appropriate agency concerned. Where the Ministry/Department concerned thinks a more liberal treatment is warranted then such as recommended by the Technical Development Directorate or thte Agency concerned the question should be referred to the Ministry of Finance, Department of Economic Affairs.

5. As stated above, the present delegations are subject to further review. It is the intention that such a review should take place fairly soon in order to examine whether the various percentage figures indicated in paragraph 2 above are too high or too low. It is requested that the Ministries concerned may examine this subject so that the question may be further discussed in another few weeks.

APPENDIX XVII

(*Vide Para* 7·4)

Statement showing the industries the working of which was investigated during 1961-1965.

Industry	Name of Industrial undertaking	Year in which investigation was ordered
Textiles (Cotton) :	1. The Pratap Spg. & Mfg. Co. Ltd., Amalner (Maharashtra)	1962
	2. Bengal Nagpur Cotton Mills Ltd., Rajnandgaon (M.P.)	1963
	3. India United Mills Ltd., Bombay	1965
	4. Muir Mills Ltd., Kanpur	1965
	5. New Bhopal Textiles Ltd., Bhopal	1965
	6. Hisa Mills Ltd., Ujjain	1965
	7. Swadeshi Cotton & Flour Mills Ltd., Indore	1965
	8. Shri Bharati Mills, Pondicherry	1965
	9. Aurangabad Mills Ltd., Aurangabad	1965
	10. Savatram Ramaprasad Mills Ltd., Akola	1965
	11. Krishna Kumar Mills Ltd., Mahuva	1965
	12. Shree Durga Cotton Mills Pvt. Ltd., Kadi	1965
	13. Bangeswari Cotton Mills Ltd., Sreerampur (W. Bengal)	1965
	14. Sodepor Cotton Mills Ltd., Sodepore	1965
	15. Ahmedabad Laxmi Cotton Mills Ltd., Ahmedabad	1965
	16. General Fibre Dealer Ltd., Lucknow	1966
	17. New Victoria Mills Co. Ltd., Kanpur	1966
	18. New Pratap Spg. & Wvg. Co. Ltd., Dhulia	1966
	19. Lakshminarain Cotton Mills Ltd., Calcutta	1966
	20. Mahalakshmi Mills, Beawar	1966
	21. Gitanjali Mills Ltd., Sankaranayanakoil	1966

Industry	Name of Industrial undertaking	Year in which investigation was ordered.
	22. Sri Palamalai Ranganathan Mills Ltd., Coimbatore	1966
	23. The Gobald Textiles (P) Ltd., Tirupur	1966
	24. The Janardhan Mills Ltd., Coimbatore	1966
	25. The Tirupur Cotton Spg. & Wvg. Mills Ltd., Tirupur	1966
	26. The Ravindra Mills Ltd., Coimbatore	1966
	27. The Cambodia Mills Ltd., Coimbatore	1966
	28. Rajaratna Maranbhai Mills Ltd., Petlad	1966
Textiles (Jute) :	Katihar Jute Mills, Katihar	1965
Bicycle :	Hindustan Vehicles Ltd., Patna	1965
Sugar :	1. Sugauli Sugar Works (P) Ltd., Sugauli	1962
	2. Harinagar Sugar Mills (P) Ltd., Harinagar	1962
	3. R. B. Lachhmandas Sugar & General Mills (P) Ltd., Jarwal Road (U.P.)	1962

APPENDIX XVIII

(*Vide* Para 7·6)

Statement showing industrial undertakings taken over for management or control by the Central Government under Chapter IIIA of Industries (Development and Regulation) Act, 1951 for the period form 1961 to June, 1966

Industry	Name of Industrial undertaking	Date of taking over	Reasons for taking over	Financial result of working under Central Government				
1	2	3	4	5				
TEXTILES (COTTON):				PROFIT AND LOSS(—) OF MILLS (Rs. in lakhs)				
				1961	1962	1963	1964	1965
(1)	R. S. R. G. Mohta Spg. & Wvg. Mills Ltd., Akola (Maharashtra)	15-9-61	Generally, the reasons of taking over this group of industries have been:- (i) Financial troubles encountered by the management and there by a financial breakdown. (ii) Huge losses due losses due to high cost of production and poor realisation and incompetent management (iii) On unemployment	(—)6·36	(—)4·00	1·03	3·61	(—)4·92
(2)	The Pratap Spg. & Mfg. Co. Ltd., Amalner, (Maharashtra)	4-3-63		—	—	(—)23·15	4·12	—
(3)	Bengal Nagpur Cotton Mills Ltd., Rajnandgaon (M.P.)	17-12-63		(—)8·1	Not available		3·16	—
(4)	India United Mills Ltd., Bombay	29-11-65		100·96	12·90	86·19	(—)3·90	—
(5)	Muir Mills Ltd., Kanpur	22-12-65		26·95	11·15	0·18	9·45	—

1	2	3	4		5				
					1961	1962	1963	1964	1965
TEXTILE (COTTON) (*Contd.*)									
(6)	New Bhopal Textiles Ltd., Bhopal.	11-2-66	relief scheme basis to provide for the local labour who depend on the employment provided by the Mills.	(6)	—	0·86	(—)22·16	(—)10·10	(—)3·50
(7)	Hira Mills Ltd., Ujjain.	4-3-66		(7)	14·81	(—)7·81	(—)8·20	5·04	—
(8)	Swadeshi Cotton & Flour Mills Ltd., Indrore	13-4-66		(8)	6·20	1·60	2·53	1·53 (Subject to depreciation)	
(9)	Shri Bharati Mills, Pondicherry.	5-5-66		(9)	Financial results not yet available.				
(10)	Aurangabad Mills Ltd., Aurangabad.	11-3-66		(10)					
TEXTILES (JUTE):	Kathihar Jute Mills, Kaithar.	June,65	1. The Mill was being managed in a manner detrimental to industr & to public interest. 2. Financial condition o the Mill was bad. 3. Mill was closed from 1-1-65.		Financial position not available. Due to a fire which broke out on 24-3-66 and resulted in destruction of machiinery, the Mill has been closed from that date.				
					BICYCLE:				
Bicycle:	Hindustan Vehicles Ltd., Patna.	24-9-65	Financial irregularity, mismanagement and threatened closure of the factory.		.....Not available.....				

Sugar:	1. Sugauli Sugar Works (P) Ltd., Sugauli.	5-10-62	Bad management highly detrimental to public interest.	On a writ petition filed by the parties the orders of taking over were declared void and accordingly quashed by the High Court of Judicature Punjab (Circuit Bench), Delhi. Since the orders were quashed on 23-8-63 and 1-8-63 respectively before the close of the financial year, actual financial results are not available.
	2. Harinagar Sugar Mills (P) Ltd., Harinagar.	21-1-63	Bad management highly detrimental to sugar industry public interest.	
	3. R.B. Lachhmandas Sugar & General Mills (P) Ltd., Jarwal Road, (U.P.).	Order for taking over was issued on 28-12-62.	Heavy accumulation of arrears of cane Price, purchase tax etc. resulting in bad management, highly detrimental to public interest.	Because of a permanent injunction from the Supreme Court, the Government could not take over the unit. Hence no financial results are available.

APPENDIX XIX

(*Vide* para 8·18)

No. 13|53|65-HECHE

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY

New Delhi the 30th March, 1966.

To

The Chairman|Managing Director|General Manager of all the Public Sector Undertakings under the administrative Control of the Ministry of Industry.

SUBJECT: *Development of Ancillary Industries by Public Sector Undertakings.*

Sir,

I am directed to say that the question of reducing imports and increasing indigenous production capabilities of various engineering industries in the public sector, has been engaging attention of the Government for some time. In order to achieve this objective, it has been decided that the Public Sector Undertakings should strive to develop ancillary industries as far as possible. For implementation of the above decision and also to understand the practical difficulties of the public sector undertakings, a committee consisting of a representative of each of the Directorate General of Technical Development and the Development Commissioner, Small Scale Industries was constituted to undertake a close study in the matter with the cooperation of the public sector projects under the control of this Ministry and make suitable recommendations. The Committee who paid visits to some of the bigger public sector undertakings, have made certain recommendations which have since been accepted by the Government. I am directed to enclose a copy of the recommendations made by the Committee and to request you to take suitable steps as early as possible to implement these recommendations in so far as your undertaking is concerned and inform this Ministry of the action taken in the matter in due course.

Yours faithfully,

Sd|- K. RAJA RAM

Deputy Secretary to the Government of India.

Copy forwarded to all the Ministries/Departments concerned with the public sector undertakings, with the request that they may like to take similar action in respect of public sector undertakings with which they are concerned.

II. Copy forwarded for information to:—

1. Development Commissioner, Small Scale Industries, New Delhi, with reference to their U.O. No. 3(16)|65-Anc. dated the 31st January, 1966.
2. Directorate General of Technical Development, Udyog Bhavan, New Delhi.
3. Ministry of Supply and Technical Development, North Block, New Delhi.
4. All the Industries Sections concerned with public sector undertakings.

Sd|- K. RAJA RAM
Deputy Secretary to the Government of India.

Appendix XX

(*Vide* para 9·2)

Composition of Central Advisory Council

1.	Minister of Industry	*Chairman*
2.	Shri L.N. Birla President, Federation of Indian Chambers of Commerce & Industry, Federation House, *New Delhi* -1.	*Members*
3.	Shri C.A. Pilts esq., President, Associated Chambers of Commerce & Industry of India, Royal Exchange, 6, Netaji Subhas Road, *Calcutta.*	Do.
4.	Mr. J.R.D. Tata, Tata Industries Private Ltd, Bombay House, Bruce Street, Fort, *Bombay*-1.	Do.
5.	Shri K.K. Birla, 15, India Exchange Place, *Calcutta*-1.	Do.
6.	Dr. A. Ramaswamy Mudaliar, "India Steamship House", 21, Old Court House Street, *Calcutta*-1.	Do.
7.	Shri Keshub Kachindra, Mahindra & Mahindra Ltd., Gateway Buildings, Apollo Bunder, *Bombay*-1.	Do.
8.	Shri Arvind N. Mafatlal, Mafatlal House, Back Bay Reclamation, *Bombay*-1.	Do.
9.	Shri A.R. Bhatt, 256, Sadashiv Peth, *Poona*-2.	Do.
10.	Shri T.S. Krishna, T.V. Sundram Iyengar & Sons Pvt., Ltd., P.B. No. 21, *Madurai*-1.	Do.

11.	Shri B.V.D. Menon, The Aluminium Industries Ltd., "Bhakti Vilas", Kalamasseri P.O., Via Alwaye (Kerala State).	*Members*
12.	Shri Neville N. Wadia, Neville House, Ballard Estate *Bombay*-1.	Do.
13.	Shri Abhijit Sen, Sen Raleigh Limited, Mercantile Buildings, Lall Bazar, *Calcutta*-1.	Do.
14.	Shri V.S. Kudva, Technical Director, The Canara Workshops Ltd., *Mangalore*-3.	Do.
15.	Shri K.C. Maitra, C/o Guest, Keen, Williams Ltd., Sankey Division, P.O. Box No. 121-A, *Bombay*.	Do.
16.	Shri N.M. Wagle, Esq , Greaves Cotton & Co., Ltd., 1, Forbes Street, *Bombay*-1.	Do.
17.	R.H. Morrison Esq., Chairman, Indian Jute Mills Association, Royal Exchange, *Calcutta*-1.	Do.
18.	Shri N.B. Prasad, 28, Sarojini Devi Road, Secunderabd-26, (Andra Prdaesh)	Do.
19.	Shri S.M. Ramakrishna Rao, "Lakshmi Nivas", Fort, *Bangalore*-2.	Do.
20.	Shri N. Mahalingam, 38, Chamier's Road, *Madras*-28	Do.
21.	Shri S. R. Vasavada, C/o Textile Labour Association, Gandhi Majoor Sevalaya, Bhadra, *Ahmedabad.*	Do.
22.	Shri Machael John, Vice-President, INTUC, 17 K Road, *Jamshedpur.*	Do.
23.	Shri Manohar Kotwal, General Secretary, Hind Mazdoor Sabha, 167, P.D. Mello Road, *Bombay*-1.	Do.
24.	Shri K.G. Srivastava, Secretary, All India Trade Union Congress, S-E, Jhandewalan, Rani Jhansi Road, *New Delhi*-1.	Do.

25.	Shri M.P. Bhargava, M.P., 1203, Bagh Muzaffar Khan, *Agra* (U.P.)	*Member*
26.	Mrs. Raksha Saran, 59, Sundar Nagar, (Ground Floor), *New Delhi.*	Do.
27.	Shri P.R. Ramakrishnan, M.P., 38, Mount Road, *Madras*-6.	Do.
28.	Shri Santokh Singh, M.P., Managing Partner, M/s. National Chemical Industries, 26, Najafgarh Road, *New Delhi*-15.	Do.
29.	Shri Prabhu V. Mehta, M/s. Calico Dyeing & Printing Mills (P) P.B. No. 6003, *Bombay*-12.	Do.
30.	Shri M.S. Rao, Chairman, Hindustan Steels Ltd., P.O. HINOO, *Ranchi* (*Bihar*).	Do.
31.	Shri D.C. Baijal, Chairman, Bharat Heavy Electricals Ltd., 5, Parliament Street, *New Delhi.*	Do.

APPENDIX XXI

Summary of Conclusions/Recommendations

Sl. No.	Reference to para No. of the Report	Summary of Conclusions/Recommendations
1	2	3
1	1.38	The Committee feel that a crucial stage has been reached in the industrialisation of the country and if the slogan, of self-reliance has to be given a content and a meaning it is imperative that the strategy of industrialisation should be reviewed pragmatically by an expert body. The Committee suggest that for this purpose Government may appoint an Industries Commission, with representatives drawn from industry, trade, commerce public sector, financial institutions and economists who should have intimate knowledge of industrial development in the country. The Commission may examine the extent to which the Industrial Policy Resolutions and the Industries (Development and Regulation) Act, 1951 have been helpful or otherwise in developing and regulating the setting up of industries on the desired lines. In the light of their findings they may indicate broadly the strategy to be followed for bringing about self-reliance in industry at the earliest, keeping firmly in view the resources of the country and the aspirations of the people.
2	2.16	The Committee agree that in the context of planned development, Government cannot wholly dispense with the authority to regulate industrial licensing. The Committee note that Government have been reviewing the procedure of industrial licensing and that as a result of the recommendations of the Swaminathan Committee in 1963 and 1965, the licensing procedures have been rationalised and liberalised in certain directions. In particular, the Committee note that Government have recently allowed the exist-

1	2	3
		ing industrial undertakings to diversify their production without a licence up to 25 per cent of the total production as also to increase their production upto 25 per cent of the registered/licensed capacity. They, however, feel that the time has come when the procedures for industrial regulation should be used as an instrument of development rather than of restraint. This should not, however, result in relaxing in any way vigilence in checking the terms of foreign collaboration, or the time schedule for achieving self-sufficiency at the earliest or for producing goods at most competitive prices. The machinery available under the Industrial (Development & Regulations) Act should be used to establish closer liaison between the public and private sector in the interest of larger and cheaper production. The Committee need hardly emphasise that in exercising the regulatory powers under the Act, weightage should be given to economic considerations as far as possible. The Committee suggest that the high powered Industries Commission recommended earlier in para 1.38 may undertake a thorough review of the provisions of the Industries Development and Regulation Act so that it can serve as an effective instrument for accelerating the industrial development of the country on sound economic lines.
3	2.24	The Committee are constrained to note that inspite of the fact that Government were aware of the duplication and overlapping of certain provisions in the Industries (Development and Regulation) Act, 1951, and in certain other regulatory measures such as Essential Commodities Act, 1955, no action appears to have been taken so far to remove these anomalies. As such a state of affairs tends to cause avoidable inconvenience and harassment to industrialists and is likely to stand in the way of effective implementation of the relevant provisions of the Acts concerned, the Committee would urge the Government to examine this aspect urgently and take necessary remedial measures.
4	2.28	The Committee consider that the State Governments have to play an important role in the setting up of new industrial units in their respec-

1	2	3
		tive areas as it is their primary responsibility to provide for the infrastructure facilities required in the initial stage for the setting up of such units. The Committee would, therefore, emphasise that there should be close coordination and consultations between the Central and State Governments concerned in the administration of the Industries Act. They suggest that Ministry of Industrial Development and Company Affairs should convene meetings, at regular intervals—say once in 6 months—of representatives of State Governments and thrash out at such meetings all problems and pending cases concerning industries, besides holding discussions on matters of mutual interest for stepping up industrial production in the country.
5	2.47	The Committee agree that one of the basic objectives of planned economic and social development in the country is to ensure balanced growth of the different regions. They feel that industrial licensing can be one of the instruments to subserve that objective, to the extent possible. In the opinion of the Committee, however, the real key to the development of the backward areas lies in strengthening of their agricultural sector as also in building of infra-structure for development of industries. Experience has demonstrated that the soundest basis for building up industrialisation of under-developed and backward areas is to provide infra-structure, such as power, transport and communications, raw materials, trained technical personnel etc. The truth of this has been amply demonstrated by the progress made in industrialisation since independence in the States of Madras and Maharashtra. The obvious course for authorities, who are anxious to attract industrial units to their States is to make concerted efforts to develop the infrastructure facilities in their areas. The Committee would urge the Central Government to give every possible assistance to the underdeveloped States to develop infra-structure facilities such as power, communications, raw materials, trained technical personnel etc. The importance of trained technical personnel needs special mention, for the man behind the machine is apt to be overlooked. In a country like India the richest

1	2	3
		resource, even in the most under-developed or backward areas is manpower. It is therefore of utmost importance to develop this human resource by a sound system of education, industrial training and by ensuring that the rule of law and order prevails. This atmosphere of purposefulness and productivity, which the State can to a large extent help to create cannot be under-rated for it is prerequisite for the successful functioning of industrial units. While the Committee whole-heartedly favour the development of the under-developed and backward areas, they feel that the realities of the situation require that the operation of the economic factors in the interests of maximising production at the most competitive rates for the common man, should not be over-looked.
6	2.48	The Committee suggest that intensive studies of the economic structure of the backward areas, their deficiencies and problems of growth and the available natural resources should be undertaken by competent teams so that well-conceived and integrated development plans for the industrial and agricultural development for those areas could be formulated. The Committee need hardly stress that in the interest of sound economic development, the problem of industrialisation of under-developed areas should be approached in a rational and pragmatic manner.
7	2·59	The Committee regret to note that there have been persistent shortfalls in production in some of the basic industries for example, cement, fertilisers, etc. during the successive plan periods. It is a matter of concern that while the targets of investment including the foreign exchange component envisaged in Plans, have been largely achieved and in fact exceeded during the Third Plan, the production targets in the industrial sector have lagged behind. In some cases, even the licences issued are below the Plan production targets. Even the capacity which has been installed, was not put to full use in many cases. Large number of licences have

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		been issued which remained infructuous. All this would appear to indicate the deficiencies in planning and industrial licensing. The reasons for the shortfall in achieving the production targets, given by the Ministry *viz.* inter-linkage of industries, less rate of growth of national income, shortge of raw materials, lack of adequate foreign exchange, and less profitability of certain industries, would underline the need for basic change in the drawing up of industrial programme for the Plan period. As regards industries, particularly those catering for non-essential consumer goods, the targets of capacity and production may be indicative so that these could be rolled forward or backward in the light of development and achievement.
8	2.60	The Committee are greatly concerned at the issue of licences much in excess of the targets as it tends to give a misleading picture about the industrial capacity and keeps away genuine entrepreneurs from coming into the field. This practice also encourages foreclosure of licencing capacity by interested parties|groups who do not implement licences and thereby keep away competition from these industries. The Committee recommend that a strict watch should be kept on the progress made by licensees in order to ensure that they take effective action to implement the schemes within the stipulated time, failing which, the licences should be revoked or transferred to other parties. The Committee would also suggest that a review should be made of all the unimplemented licences issued upto December, 1966 with a view to revoke those, where no significant progress has been made so far.
9	2.69	The Committee are constrained to note that in 1965-66 the capacity in some industries remained untilised to the extent of 80-90 per cent. Even in some priority industries the underutilisation has been as high as 40 per cent. The Committee note that the installed capacity of certain industries particularly in the cases of Sheet Glass and Refractories where under-

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		utilisation has progressively increased from year to year remained under-utilised due to over-licensing. In this conneition, the views of a Member of the Planning Commission that "The absurdity and the economic waste of allowing a lot of capacity, a good deal of it installed with imported machineries and incurring loan servicing liabilities payable in foreign exchange, to remain idle have not been sufficiently appreciated" are very pertinent.
		While the Committee appreciate the recent decision of Government to include certain industries in the priority list of meeting their full requirements of foreign exchange, they hope that a careful watch would be kept over the progress of these industries, particularly in respect of those which have been working below capacity due to non-availability of foreign exchange.
		It is well known that Indian manufactured goods are generally high priced which stands in the way of their exports. Since one of the reasons for the high price is the under-utilisation of the installed capacity, because the products have to bear all the overheads, incidentals, depreciation, interest and other things, the Committee hope that with the fuller utilisation of capacities in these industries, the cost of production would be reduced.
		The problems of raw materials and foreign exchange are no doubt widespread and deserve to be tackled in right earnest, but due attention requires to be paid to the trend that has lately emerged in the shape of growing imbalance between production and demand resulting in accumulation of stocks and under-utilisation of capacity in several sectors of the industrial economy. The Committee would urge that the causes of under-utilisation of the installed capacity may be gone into thoroughly with a view to see as to how far the idle capacity can be utilised for import substitution.
10	2·70	The Committee would also suggest that there should be effective coordination between the

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		two wings of the Ministry of Industrial Development and Company Affairs dealing with scheduled industries and small scale sector so as to ensure optimum utilisation of resources in both the sectors.
11	2.75	The Committee note that a number of cooperative factories have been set up in sugar and cotton textiles. The progress of the cooperative sector in other industries has not however been quite satisfactory. The causes for this state of affairs may be examined and effective measures taken by Government to ensure their proper working and growth.
12	2.78	The Committee regret to note that the Review of the Second Plan has not yet been published though six years have elapsed since the completion of the Plan. They find that the Review of the Third Plan, as a whole, has also not yet been prepared. The Committee consider that for realistic planning, it is necessary that the targets laid down in the earlier Plan are reviewed and the reasons for their shortfalls identified, analysed and publicised and responsibility fixed therefor. This is all the more necessary at the present juncture when there is so much controversy about the nonfulfilment of targets in certain key sectors, and their effect on the contents and strategy of development for the Fourth Plan. The Committee urge that Government should bring out comprehensive and critical Reviews of the Second and Third Plans, without delay.
13	2.79	Government should also ensure that evaluation of the Plan achievements is done annually and is presented to Parliament regularly to enable Members to have more informed discussions and after constructive suggestions, which would no boubt, prove of great value to Planning Commission/Government in finalising the contents and strategy of the plan for the following year.
14	2.85	The Committee find that full particulars of industrial capacities available in various industries in different regions of the country are not being adequately publicised. They regret to

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		note that even the provisions made in the Registration and Licensing of Industrial Undertakings Rules 1952, for inviting applications for the grant of licences for establishing new industrial undertakings by means of a notice published in the Gazette of India are not being implemented. The Committee consider that Government should invariably give full and extensive publicity through all available media including the Gazette of India to the capacity that is to be licensed for various industries during the year/specified period particularly for industries falling in the group of key/basic industries. This would stimulate competition among the intending entrepreneurs and thereby enable Government to select the most economical and competitive proposal, i.e. a proposal which would involve least capital cost, lowest foreign exchange for capital and maintenance imports, and would make for the lowest unit cost and sale price. The Committee would also suggest that suitable arrangement should be made, in the existing set up, to make readily available essential data such as capacities licensed and developed so far, the estimated demand for the commodity, the international price etc., to intending entrepreneurs. This would also ensure that the emphasis would be shifted from mere chronological receipt of applications to their competitiveness based on merits, contents and potential contribution to the economy of the country.
15	2.114	The Committee consider that the most important issues requiring consideration in machinery manufacturing programme are the quality and design of machinery, the capital and maintenance cost, production capacity etc. *vis-a-vis* the quality and price of machinery available in the international market. It is evident that the quality and cost of these "mother machines" would determine to a large extent whether the cost of end product would be competitive in the international market or not. It is well known that Indian economy suffers from high cost of production. The Committee feel that concerted efforts should be made by Government in conjunction with the industry (both public and private sectors) to improve the quality and de-

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		sign of machinery and make them in every way competitive in quality and price with the best that is available in the international market. Regarding the industries specifically discussed in Chapter II, the Committee consider that as far as machine tools industry is concerned, it is faced with the twin problem of imports of more than 50 per cent of supplies and stock accumulation of unsold machine tools by the leading public undertaking: H.M.T. The Committee suggest that Government should examine the reasons for accumulation of unsold stock with the machine-building industry, particularly the HMT and determine whether the accumulation is ascribable to any deficiency in after-sales service or non-availability of spare parts or inability to meet customers modifications or due to lack of diversification of products. They would also like H.M.T. to carefully analyse the imports with a view to see which additional machineries which are at present being imported in large numbers could be taken up for manufacture indigenously in the context of the development programme for the Plan.
16	2.115	The Committee would also like to stress the need for developing drawing and designing facilities for machinery manufacturing industries. They would like Government and the industries in the public sector and private sector to formulate a scheme for co-operative research so that the machinery manufactured in the country can keep abreast of developments in the World and maintain their competitive position in efficiency, production and cost.
17	2.126	The Committee are constrained to observe that no progress was made to establish additional capacity for manufacture of alloy or special steels in the Second Five Year Plan. The Committee further regret to note that in the Third Plan a capacity for manufacture of 45,000 tonnes of special steel was developed in the private sector only though licences for 4,34,000 tonnes were issued to private sector and for 1,37,000 to Public Sector. The Committee consider it regrettable that the public sector,

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		which should be a pace-setter, lagged behind. The Committee also regret to note that licences issued to four private companies for 6000 tonnes, 5,400 tonnes, 3,600 tonnes and 3,000 tonnes each had subsequently to be revoked and that the licence for manufacture of 49,000 tonnes of special steel issued in favour of TISCO had to be cancelled as the company could not fulfil the condition of finding a foreign collaborator who would subscribe the whole of the foreign exchange component. The Committee cannot help concluding that enough care was not taken in processing the applications, for installation of manufacturing capacity for special steels and alloys. The Committee would like Government to keep a very close watch on the licensed units which are stated to be implementing a programme for manufacture of 38,600 tonnes and on licensees to have been given licence for setting up capacity for another 1,59,000 tonnes. The Committee would also like Government to keep close watch on the parties concerned after the issue of Letters of Intent for 2,17,400 tonnes so as to make sure that they take effective action to tie up collaboration arrangements and place orders for machinery and equipment. The Committee need hardly add that where effective action is not being taken by the parties concerned, it may be advisable to take firm action. Keeping in view the specialised nature of the industry and the need for maintaining competitive prices in this basic sector, the Committee would suggest that wide publicity should be given to the capacity still remaining to be licenced so as to attract applications on competitive basis. The applications may be examined strictly on the basis of economy in capital costs, including foreign exchange components, and unit cost of production, based on the techno-economic feasibility reports enclosed with the applications so as to licence the most competitive and sound unit for production.
18	2.159	It is well known that the development of non-ferrous metals is of vital importance to the various industries and the growth of national economy as these metals are extensively used in several basic industries. According to United Nations Report on Science and Technology for

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Development: "For every ton of steel, 40 lbs. of copper and similar quantity of lead and zinc would be necessary". The Committee are concerned to note that no serious attempt was made for the development of non-ferrous metals in the country during the first two Plan periods. Except Aluminium, no targets of production were fixed for any other non-ferrous metals till the Third Plan. Even during the Third Plan when targets of production were fixed in respect of these metals, there have been heavy shortfalls in achieving them. The result has been that large amounts in foreign exchange had to be spent in importing these metals during each Plan period, causing heavy drain on the scarce foreign exchange resources of the country. The value of imports of four principal non-ferrous metals during Third Plan period was as under:

	Value
Aluminium	38.44 crores
Copper	132.50 "
Zinc	41.22 "
Lead	18.96 "

The Committee note that effective steps were not taken by some of the licensees in the Second and Third Plans to set up manufacturing units for Aluminium. As the Fourth Plan target implies more than 400% increase in production (*i.e.* from 81,000 tons to 3,30,000 tons), Government should keep a close watch on the progress being made by licensees to set up new units or expand the existing ones, so that remedial measures may be taken without delay to obviate any shortfall in the achievement of target. The Committee also feel that the public undertaking set up for manufacture of Aluminium should set the pace by taking expeditious action to develop the capacity at most competitive international rates. The Committee need hardly stress that as Aluminium is a basic important material it is imperative that its cost and sale price are kept at level competitive with international price. The Committee have no doubt that the Ministry of Industrial Development & Company Affairs and the Directorate General of Technical Development would pay special attention to the aspect.

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The Committee would also urge that effective steps are taken to ensure that the raw materials *viz.* anthracite, cryolite and aluminium fluoride, etc. required in the production of aluminium which are at present imported, are also produced indigenously as early as possible.

19 2.160 The Committee are greatly concerned about the production prospects of other non-ferrous metals like copper, lead and zinc. It is a sad irony that Government all these years left the development of zinc and lead, so useful for the country, to a private company (Metal Corporation of India). This company was allowed to send zinc concentrates to Japan and get it back refined as zinc sheets from Japan. No arrangements for smelting the concentrates were made within the country, with the result that there was huge drain on our foreign exchange.

With the growth of industrialisation, the need for these metals as also their alloys, is likely to grow considerably. The capacity and production targets for these metals for the Fourth Plan are far short of the estimated demand as will be seen from the following table:

	Estimated Demand	Production Target
Copper	1,80,000 tons	37,500 tons
Zinc	1,17,000 ,,	38,000 ,,
Lead	1,26,000 ,,	4,300 ,,

It would be evident that even at the end of the Fourth Plan the country will have to depend upon large imports of these basic metals which would involve a heavy drain on the foreign exchange resources of the country. Further the dependence on imports for these vital metals would tend to create uncertainty in regard to the availability of these raw materials which are stated to be in short supply all over the World. It is imperative that Government should lose no time to push through the schemes already in hand and also expedite geological surveys, etc. to locate deposits of non-ferrous metals in the country. The Committee would

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		also suggest that close coordination should be maintained between Government departments and the industry for maximising the production of these metals.
20	2.161	The Committee regret to note that high priority was not given for the exploration, prospecting for the non-ferrous metals in the past. No sustained efforts appear to have been made in locating and exploiting metal bearing belts in the country. The Committee however note that Government have recently decided to carry out detailed and intensive surveys for finding out deposists of these ores in collaboration with foreign countries. They would like to emphasise that no time should be lost in putting the schemes into operation and maximising efforts for the exploration of these vital metals particularly copper. It would be necessary to assess and exploit the natural resources of the country and to develop them expeditiously to meet the requirements of the industries in the country. Apart from this, grater attention should be paid to widen the scope of substitution of these scarce non-ferrous metals. In this connection, the Committee would also stress that every effort should be made to outline the vast potential field of application of aluminium in substitution for scarce non-ferrous metals e.g. copper, zinc etc. The Committee note that some progress has already been made in this direction. However, in view of the scarcity of foreign exchange which is likely to continue for quite a long time, the Committee would stress that greater emphasis should be placed on substituting imported metals by aluminium where technically feasible. For this purpose continuous studies should be made in collaboration with CSIR and other research institutions. The policy of substitution should, however, be coordinated and phased with the expansion in the production of aluminium so as to avoid any difficulties in the supply of aluminium itself.
21	2.162	The Committee would like Government to keep Parliament informed every six months about the progress made in the exploration, prospecting, development and production of non-ferrous metals in the country.

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22	2·198	The Committee are greatly perturbed at the successive shortalls in the production of fertilisors as compared to the targets laid down in the three Plans. While production during the First Plan was about 80 per cent of the target fixed, it dropped down to 34 per cent during the Second Plan and further came down to only 29 per cent of the target during the Third lan. The non-fulilment of the targets during the Second and Third Plans was due to the failure of both the public and private sectors in not progressing with the implementation of the schemes satisfactorily. It is regrettable that while the private sector was expected to create capacity for the production of 6.35 lakh tons of nitrogen at the end of the Third Plan none of the projects, approved for it, made any headway during that period. Out of the 10 schemes, 5 schemes aggregating to as much as 2.82 lakhs tonnes were dropped either by the parties concerned or their licences were revoked after period ranging from one to four years. No work appears to have been started on the other two schemes, aggregating 1.161 lakh tonnes. In respect of the other two projects, with a capacity of 1.76 lakh tonnes, only construction work was started and the projects are expected to be completed during the Fourth Plan. Apart from the non-fulfilment of the targets, what is more regrettable is that even the installed capacity, both during the Second Plan and Third Plan periods on which heavy capital expenditure including considerable foreign exchange had been incurred, remained largely unutilised, as production amounted to about 40 per cent of the installed capacity. The underutilisation of capacity arose, *inter alia*, on account of non-availability of raw materials and feedstocks during both the Plan period. The shortage of electric power and the non-availability of good quality coal which affected the production of FACT and Sindri Plan respectively during the Second Plan period, continued to persist during the Third Plan period also. Further the production at Rourkela Plant is much below its installed capacity and has ranged between 25 to 40 per cent of capacity mainly on account of non-availability of coke oven gas. The Trombay factory which was commissioned in November, 1965, has also not yet attained its rated capacity and is experiencing serious troubles mostly on account of the

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		defects in the equipment designed and supplied by Chemical and Industrial Corporation of United States for the nitro-phosphate section of the plant on, a turn-key basis. The production at the Nangal Factory also suffered due to shortage of electric power. All these indicate defective planning and failure to take adequate timely measures to ensure supply of raw material and feed-stock to these factories. The shortfalls in production of fertilisers resulted not only in heavy imports of fertilisers during the three Plan periods, but also heavy imports of food amounting to Rs. 2,300 crores during the same period, whose production in the country could have been considerably stepped up by making chemical fertilisers available to the agriculturists and farmers. Viewed against the background of the statement made by the Minister of Petroleum and Chemicals in the Rajya Sabha in August, 1965 that "What we spend in one year on the import of fertilisers is enough for putting up 3 fertiliser plants in the country each with a capacity of 2 lakh tonnes "and that" by investing Rs. 13 crores in a fertiliser plant, we can save every year foreign exchange of Rs. 26 crores in terms of imported fertilisers or Rs 78 crores in terms of imported foodgrains," it is obvious that the urgency of setting up of fertiliser plants in the country which has been beset with recurring food shortages and growing population, was not fully realised. Even if a part of the foreign exchange which was spent in importing foodgrains and fertilisers had been spared for setting up the fertiliser plants, it would have been possible to achieve the targets. The Committee also consider that as fertiliser industry is regulating by industrial licensing, it was for Government to ensure that all those who are issued the licences, take effective measures in time to set up the capacity for manufacture of fertiliser and to reach targetted production. It is a matter of deep regret that the public sector which should have given a lead in this matter, has itself lagged behind in production and that the private sector made little headway in setting up fertiliser plants. The Committee note that Government have now set up a high-powered committee of Secretaries to process all matters pertaining to the setting up of fertiliser plants so as to ensure expeditious clearance and implementation. The Committee feel that if these measures had been taken in the Second Plan or

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		even in the beginning of the Third Five Year Plan, the critical position reached in the matter of availability of fertilisers could have been largely obviated. They have no doubt that the high-powered committee of Secretaries must have made a detailed case study of the various factors which had impeded the setting up of the fertiliser plants as per plan targets and licences issued so as to ensure that these handicaps do not hold up the progress of the new ventures. In view of the fact that the targets for the Fourth Plan constitutes 240 per cent increase over the capacity installed in the Third Plan, the Committee would stress that no time should be lost in finalising and executing the schemes for achieving the additional production. The Committee note that the last date for the finalisation of applications for the foreign collaboration on liberalised terms has now been extended upto 31st December, 1967. The Committee have no doubt that Government would carefully examine the question of foreign collaborations having regard to the state of development of engineering and design organisations of Fertiliser Corporation and FACT, the need for achieving self-sufficiency in fertilisers at an early date to meet the agricultural requirements and the imperative necessity of producing the fertilisers at economic and competitive prices so as to encourage their use on a wide scale in the interest of larger production.
23	2.199	The Committee need hardly stress that urgent and effective measures should be taken by Government to arrange the availability of raw material and feedstock to the existing fertiliser plants so as to ensure that the capacity for the production of fertilisers installed in the country is fully utilised. They would, however, like to emphasise that before granting licences for the setting up of new units for production of fertilisers, Government should satisfy itself that the raw material and feed-stock required for that particular unit would be fully made available so that the present situation in which the installed capacity has remained largely unutilised for want of them does not arise in furture.
24	2.206	The Committee are concerned at the high cost of production of urea at the older plants, viz., Sindri and Trombay. While some of this may be

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		due to the old technology used in these plants, the Committee feel that the non-utilisation of the full capacity of these plants is also partly responsible for it. The Committee are glad that in the new factories at Durgapur and Cochin the cost of production will come down substantially due to the larger capacity of these plants as well as the adoption of the latest technology. The Committee cannot over-emphasise the need for bringing down the cost of production in this industry which is vital to food production. They would urge that constant efforts should be made to bring down the cost of production in the country at par with the cost of production in other countries. They would like to point out that in comparing international costs, at least the f.o.b. cost should be taken into account and not the c.i.f. price.
25	2.207	The Committee would also like to emphasise that Government should ensure that fertilisers are made available to the cultivators at reasonable prices so that the cost of production of food does not go high. The Committee understand that in some countries where agricultural production has made considerable headway, fertilisers are supplied to the farmers at international or even lower prices. The Committee have no doubt that if fertilisers are made available at economic prices, the Indian farmer would not be slow in making full use of them to step up production and bring the proclaimed goal of self-sufficiency within reach.
26	2.211	The Committee are glad to note that the know-how developed indigenously in the matter of fertiliser technology is now being utilised by Government. They have no doubt that with the experience gained as a result of designing and erecting the two plants at Durgapur and Cochin, the Planning and Designing Organisations of the Fertiliser Corporation of India and the FACT, would play a greater role and would be able to take over the entire responsibility of designing and engineering at least two fertiliser plants a year with the know-how developed by them or acquired and purchased from foreign countries. The Committee would like to emphasise that the Government should plan their fertiliser programme in such a way that these organisations are given work on a continuous basis. Since the process Design and Engineering Sections of these organisations will be comparatively free from

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		the first quarter of 1967, Government should ensure that the capabilities developed by these technical organisations are fully utilised thereafter in putting up fertiliser plants in the country based on modern technology. It hardly needs to be stressed that the utilisation of the indigenous know-how in this vital sector would not only save considerable foreign exchange on design, engineering and know-how expenses, but would also result in maximum utilisation of the indigenous fabrication facilities for equipment. It would provide the much needed encouragement to the indigenous talent and would also conserve and fructify the valuable experience that the Indian experts would gain by shouldering the responsibility of designing, planning and engineering the fertiliser projects. In this connection the Committee would also like to point out that in allowing foreign collaboration agreements for the setting up of fertiliser plants in the country, due consideration should be given to the utilisation of capabilities of these organisations as otherwise the indigenous know-how developed so assiduously by them in this vital industry would remain unutilised. The Committee have no doubt that the Design organisations at the FACT and Fertiliser Corporation of India would in course of time become fully self-reliant for providing consultancy services for fertiliser plants not only for the country but for other neighbouring countries also.
27	2·224	The Committee are greatly perturbed at the shortfalls in the production of automobiles as compared to the targets laid down in the Plans. They note that the production of cars and commercial vehicles during the First and Second Plans was about 77% and 91% respectively of the targets fixed in the respective Plans. The position however, worsened during the Third Plan when the production of cars, commercial vehicles and jeeps dropped to about 63% of the target laid down in the Plan. The reasons for these shortfalls are stated to be the shortage of foreign exchange for both the import of the required capital machinery and the import of components. The Committee suggest that a phased programme should be prescribed for achieving cent-percent indigenous content of each type of vehicle so that the licensed/installed capacity is utilised to the full at the earliest.

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28	2·228	The Committee are distressed to find wide gaps in the ex-factory retail prices of automobiles produced in India and the prices prevailing in the countries of origin of the corresponding or comparable models—as for example, the prices of Ambassador and Fiat 1100 D cars in India are 40% and 75% higher as compared to the prices in the countries of their origin. Similarly, the price of Commercial Vehicle (Bedford 67 WB) is about 61% higher in India as compared to price obtaining in Britain. The Committee strongly urge that with the increase in indigenous content concerted efforts should also be made to bring down the cost of production of automobiles in consultation with the industry so as to make them competitive in quality and price with those manufacured abroad.
29	2·229	The Commitee understand that Government are taking steps for the manufacture of small car in the country and in that connection are holding exploratory talks with various parties. The Committee hope that Government would expeditiously examine this question and come to an early decision.
30	2·239	The production of motor cycles/scooters started in the country during the first plan (1955). The Committee regret to note that at the end of the Third Plan *i.e.* after a lapse of a period of about 12 years the production of motor cycles/scooters/3-wheelers has been 49,312 against an installed capacity of 75,000 numbers, thus registering a shortfall of about 39% . This underutilisation of installed capacity has not only adversely affected the output of scooters etc., but as admitted by Government has also been the "principal factor responsible for high prices of scooters." The Committee are surprised to note the supply position (as stated to the Committee in August 1966) was such that in Delhi it would take a person 20 years and 11 years to get a lambretta and vespa scooter respectively after the date of application. The Committee are, however, glad to note that scooters have been included in the priority list for purpose of import of essential components to increase the output of the existing units and that licences have also been issued for the setting up of new units during the fourth plan

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		period. It is gratifying to note that in 1967 itself it would be possible to "nearly double the production." Since scooters are more or less common-man's conveyance, the Committee would like the Government to ensure that with the increased production of scooters etc. every effort would be made to bring about economies in their cost of production with a view to see that they are available to the users at moderate and reasonable prices.
31	3 11	The Committee are concerned to note that since the inception of the licensing system under the Industries (Development and Regulation) Act, 1951, no general principles/guidelines have been laid down which are followed for the consideration of applications for grant of an industrial licence for establishing a new undertaking/expansion of existing undertaking under the Act although the Rules specifically provide for it. It is obvious that in the absence of such principles/guidelines, the merits of each application are apt to be judged on an *ad hoc* basis. The Committee suggest that Government should, in consultation with the Sub-Committee of the Central Advisory Council for Industries, lay down broad principles/guidelines for the guidance of the Licensing Committee to facilitate consideration of industrial licensing applications. Wide and effective publicity should be given to these principles/guidelines so as to dispel any misgivings from the minds of entrepreneurs. The Committee need hardly add that the broad principles/guidelines should in course of time be supplemented with case law so that the various nuances of the policy come to be crystalised in due course. In laying down broad principles particularly for basic/key industries, the Committee need hardly stress that objective economic criteria should determine the location, size and capacity of basic/key industries. It is of the utmost importance, in the context of developing economy, that the end products of key/basic industries, which impinge on a wide range of manufactures, should be available at competitive prices, bearing parity, as far as possible, with international prices.

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32	3·22	The Committee attach greatest importance to the maintenance of proper records by the Co-ordination and Licencing Progress Section and see no reason why it should not be possible for this section to prepare a comprehensive statement showing details of the pending cases and the reasons therefor. The Licencing Committee should carefully scrutinise this statement and give specific directions as necessary to expedite processing of the pending application. The Committee need hardly stress that time is the essence of the matter and the Government procedure should be imbued with a sense of urgency and purpose so as to inspire confidence in the applicants and dispel wide-spread belief that it is necessary to have contact men to watch their brief or follow up their applications.
33	3·31	The Committee commend the suggestion made by the Study Team on D.G.T.D. that there should be an Appeal Sub Committee of the Licensing Committee to consider appeals preferred by applicants against the rejection of their applications and hope that Government would take an early decision in the matter.
34	3·35	The Committee hope that the decision of Government to review industrial policy at intervals of one year instead of six months would enable the entrepreneurs to plan and programme their schemes/projects better. The Committee would, however, like the Government to keep in view the recommendation of the Study Team on D.G.T.D. that "This should not, however, preclude a review of the policy every six months or in strategic industries even more frequently, the changes, if any, arising out of such reviews being made known through a public notice. It is also our considered view that such changes during the currency of the licensing policy enunciated for a particular year should be more an exception than the rule".
35	3·38	The Committee would urge that full use should be made of the opportunity provided by the annual review to evaluate not only the progress made in issuing licences on paper but to relate them specifically to the progress made in the field by various units to reach production, their interlinkage and effect on other sectors and above all the general health and growth of national economy. The Committee need hardly stress that industrial licensing should be used as an effective

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		instrument for channelising scarce resources of investment and foreign exchange into directions which would help to meet the challenge of the developing economy instead of merely keeping the sights glued to the targets laid down in the Plan.
36	3·43	The Committee consider that the categorisation of industries in the merit/banned lists should *inter-alia* take into consideration the production targets laid down in the Five Year Plan, total capacity licensed and the existing installed capacity. They agree with the views of the Study Team on D.G.T.D. that "the only possible way of taking care of the situation would be to pay particular attention at the time of the periodical review of the policy to those industries where there is already under-utilisation due to paucity of foreign exchange or shortage of raw material; the aim should be to ensure that ordinarily no new capacity is encouraged in these industries unless the existing capacities are utilised upto an optimum level to be determined for each industry on the basis of the forecast of resources that would become available at a future date and the gestation period for the setting up of new capacities". The Committee would also urge that there should be no delay in the issue of banned list which should be published just before the beginning of the period to which it pertains.
37	3·52	The Committee welcome the simplification and rationalisation of registration procedure annaunced by the Government recently. The Committee suggest that registration of all industrial undertakings irrespective of the fact that they fall in the small or large scale sectors, or they are scheduled or non-scheduled industries, should be strictly adhered to by the appropriate authorities as such a measure would provide ready and reliable data for working out the requirements of foreign exchange and scarce raw materials/maintenance goods as also their allocation according to their needs and availability. The Commitee have alrtady recommended in their 105th Report (Third Lok Sabha) for the compulsory registration of small scale units and have desired that "The procedure for registration should be shorn of all unnecessary formalities and made simple and business-like so that the units do not feel any difficulty or hesitation in complying with the requirements.".

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38	3·53	The Committee agree with the recommendation of the Study Team on D.G.T.D. that in order to eliminate infructuous work "a suitable fee should be prescribed for registration applications" and urge that an early decision should be taken in the matter.
39	3·58	The Committee are not aware whether at the time of laying down the limit of Rs. 25 lakhs for licences for scheduled industries, the ever increasing cost of land, building, machinery, etc. was taken into account. Since the limit was laid down in 1964, there is no denying the fact that there has been a marked rise in the cost of land, buildings, machinery and the position has been further accentuated due to rise in prices of machinery, components etc. after devaluation. In view of these considerations, the Committee consider that it would be reasonable to revise the basis of 'fixed assets' so that the value of plant and machinery alone is taken into account in computing the capital limit. This would help in applying the definition uniformly to all industries, irrespective of the verying costs of land and buildings from place to place, and from time to time.
40	3·66	The Committee feel that at the present stage of development of Indian economy, it is essential that emphasis should be placed on establishment of most competitive industrial units so that the end-products are available to the public at competitive and low prices. The Committee, therefore, recommend that Government should evolve a suitable procedure for inviting applications by public notice from prospective entrepreneurs, who should be given adequate time to enclose with their applications feasibility reports indicating the capital cost, the foreign exchange components, the cost and sale price per unit etc. so that applications may be judged on the basis of their competitiveness. The Committee suggest that the procedure in this behalf should be worked out in consultation with representative bodies of producers, trade, commerce, industry and consumers etc. and finalised with the approval of the Central Advisory Council for Industries.
41	3·74	While the Committee note that as a result of the implementation of the recommendations of the Industries Development Procedure Committee the time taken in the processing of applications for industrial licensing has come down from

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		over 6 months i.e. 180 days to nearly 145 days; they, however, consider that even the period of 145 days is still on the high side. The Committee cannot but strongly urge that constant endeavours should be made to bring down the period at least to the level of the time table (70 days in the case of more simple cases and about 100 days in others) suggested by the Study Team on D.G.T.D. as a result of their case study. They have a feeling that if the records are kept properly and upto date and the movement of the applications is closely watched, it should not be difficult to achieve the desired results.
42	3·82	The Committee are concerned to note that there have been considerable delays in the licensees taking effective steps to start production after the grant of industrial licence. They particularly note that delays over 9 months have occurred in a very large number of cases i.e. 988 cases in 1965 and 711 cases in 1966 (upto October 1966). The Committee consider that the time taken in establishing production is the essence of the matter as time lag or shortfall in production in one sector is apt to have adverse inter-sectorial impact on targets and production in other related sectors. The Committee, therefore, stress that Government should keep a careful watch to ensure that effective steps viz., placing a firm order for supply of substantial part of the plant and machinery required for the undertaking, are taken by licensee well in time after the grant of licences. Government may also consider as to what measures can be taken to facilitate the task of a licencee in getting power, scarce building materials like steel, cement etc. for setting up the industrial unit. The Committee also commend the suggestion made by the Study Team of D.G.T.D. that regislation of units should be done only after the licensee has opened a letter of credit for a substantial portion of the machinery to be imported on Capital Goods Licence.
43	3·86	The Committee note that the number of applications received for licences for new industrial undertakings and for effecting substantial expansion during the period June to October, 1966 has been much smaller than that received during the corresponding periods in the years 1964 and 1965. They are distressed to note that out of the applications received during 1966 (June to October),

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		only one application for new industrial undertaking and one for effecting substantial expansion was accepted and licences issued therefor till October 1966, They are surprised that out of 183 applications received for new industrial undertakings and 105 for substantial expansion as many as 169 and 94 respectively were pending. The Committee cannot too strongly depricate the abnormal time taken in the disposal of applications particularly when there has been so much stress on streamlining the procedures by the Industrial Development Procedures Committee and Study Team on DGTD. They recommend that the reasons for these delays may be gone into by Government and remedial measures taken with a view to speedy clearance of applications in future.
44	3•93	From the information furnished by Government it appears that in most cases, licences are issued for attaining the targetted capacity about the beginning of the Plan period. The Committee have considered the points which were advanced before the Study Team on the Director General of Technical Development against the phasing out of the industrial licensing programme. While there is some force in these points, the Committee feel that the issue of a large number of licences in a relatively short period tends to impose great strain on the available resources like investment capital, foreign exchange, scarce raw materials, finding foreign collaborators as well as the domestic suppliers of equipment, etc. Such a procedure also leads to the blocking up of the whole capacity for the Plan period and thereby tends to encourage the interested parties and groups to foreclose the licensed capacity. It also results in placing undue emphasis on the mere chronological receipt of applications rather than on their intrinsic merits and competitiveness. The Committee urge that the feasibility of phasing out licensing may be examined by Government in the light of above considerations.
45	3·95	The Committee note that Government have drawn up a list of 59 priority industries which have been issued their full import requirements. Since the intention behind liberalising the policy of imports in respect of these industries was to secure higher levels of production and encourage utilisatin of their full production capacity, the Committee would emphasise that careful watch

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		should be kept on the progress actually made by these industries in achieving the production targets.
46	3·106	The Committee agree with the observations made by the Swaminathan Committee that "the possibility of a public sector coming into existence in the distant future should not ordinarily be a ground for rejecting other applications for licences where these units can be expected to come into production earlier and save foreign exchange.'. The Committee would also like to stress that where an industry has been reserved for licensing in the public sector, every effort should be made to establish the manufacturing capacity without delay so as to obviate imports and the consequent strain on the scarce foreign exchange resources.
47	3·113	The Committee recommend that close watch should be kept on the sale/transfer of licences and requests for association of fresh partnership (entrepreneurial talent or financial resources) by the original licensee so as to prevent monopolistic growth and concentration of economic power in the hands of a few industrialists. The Committee suggest that the previous record of performance of the entrepreneur should be taken into account at the time of approval of application for grant of licence. Amongst other factors the Licensing Committee should carefully examine whether the applicant is genuinely interested in setting up the industry and not merely acting as agent for others.
48	3·125	The Committee are concerned to note the shortcomings brought out in the industrial licensing system by Dr. Hazari in his interim report on Industrial Planning and Licensing Policy submitted to Government. In particular they note that one big industrial house was able to submit multiple applications for each product which tended to build pressure and pre-empt licensable capacity in many industries and that many applications from this particular group were by trading and/or finance companies which had small assets to show against the licences issued to them. The Committee would urge that Government should examine very carefully the result of study made by Dr. Hazari and take remedial measures

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		to arrest the unhealthy trends mentioned above and to ensure that industrial power does not concentrate in a few hands to the detriment of the general interest of the economy and the consumer.
49	3.133	The Committee welcome the exemptions/relaxations granted by Government from the Industries (Development and Regulation) Act, 1951 in pursuance of the recommendations of the Industries Development Procedures Committee (1965). The Committee suggest that Government may review the position in the light of experience gained of working of these industries, after the grant of exemption/relaxation from the provisions of the Industries (Development and Regulation) Act, 1951 and decide what further relaxation/exemptions can be granted in order to give fuller play to economic forces in the industrial field.
50	3.144	The Committee are constrained to note that out of 686 cases where letters of intent were issued since February 1964, industrial licences were issued substantially subsequently in no more than 79 cases, by 31st October, 1966. They further note that out of 369 letters of intent issued in 1964 Government had yet to review cases in respect of 275 letters of intent—183 over six months old, 18 over nine months old and 74 over one year old. The Committee are further concerned to note that out of the 369 letters of intent issued in 1964 the validity period had been extended for one or more terms in at least 304 cases. The Committee need hardly stress that if Government do not follow of cases or are too liberal in extending the validity period, after issue of letters of intent, the central idea underlying the procedure would get defeated and it would be difficult to dispel the impression that Government machinery lacks the will to enforce its own decisions strictly. The Committee suggest that where a letter of intent is not followed up by suitable concrete steps to obtain licence or finalise collaboration agreement etc. there should be provision for automatic lapsing so that the capacity for the industry does not unnecessarily remain blocked. Government, may, however, permit sufficient time in the very first instance in cases where the complexity of the industry so demands.

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51	3·152	The Committee have already commented at length in para 3:144 on the need for follow-up action after the issue of letters of intent. They cannot too strongly stress the need for keeping a watch on the effective steps taken by the applicant to set up the industry and establish production in accordance with the time schedule laid down in the industrial licence. The Committee would also like Government to consider the suggestion by the Study Team on D.G.T.D. that there should be provision for automatic revocation of licence if the licensee fails to take effective steps during the stipulated time to set up the industrial unit.
52	3·156	The Committee suggest that the term 'substantial expansion' as appearing in Section 13 of the Industries (Development and Regulation) Act, may be clearly defined in terms of percentage so that a unit need only apply for permission, if its expansion programme is likely to cross the licenced capacity by more than the permissible percentage.
53	3·158	The Committee are happy to note that Government do not desire to restrict the increase in production in registered/licensed industrial undertakings by minor technical improvements or by utilisation of indigenous raw materials or components. They hope that the undertakings would make full use of this facility to increase production to meet growing demand for goods.
54	3·161	It is well recognised that goods can be produced more economically by expansion of the existing units rather than by setting up new undertakings. Keeping in view the public demand for supply of goods at competitive prices, the committee suggest that Government should earnestly consider the suggestion that the expansion programme submitted by established units, may be expeditiously considered and where found acceptable, letters of intent covering the entire expansion programme may be issued provided this does not encourage and create monopolies. Import licences for implementing the expansion programme may be regulated keeping in view the stage of expansion and the availability of foreign exchange.

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55	3·168	The Committee are glad that Government have recently allowed the existing industrial units to diversify production upto 25 per cent of their total production, without the formality of taking out a further licence for it. Now that the demand of the industrial units for diversification has been conceded by Government, the Committee would like the units to maximise production of goods needed by the people for their every day use and to pass on to the consumer the benefit of the reduction in cost of production, accruing from economies of scale. The Committee would like Government to keep a close watch on the position and to provide necessary facilities to industrial units which want to diversify their production in the interest of either expert, import substitution or to meet the requirements of defence and other Government organisations or to meet the needs of agricultural production.
56	3·180	The Committee consider that at the present stage of development of the country, the need for bringing about reduction in prices of goods is of paramount importance. The interests of the country, as a whole, would be best served if the location or relocation of an industry is decided by the logic of economic factors. As already mentioned by the Committee earlier in para 2.47 of the Report, the best method of attracting the industries to under-developed areas is to improve the infra-structure facilities such as power, transport, communications, etc. if necessary on a priority basis by the Government rather than to force the location of industries by any arbitrary or administrative fiats.
57	3·181	The Committee would also stress that early decision should be taken on the pending applications for relocation of industries, 14 out of which are stated to have been pending for more than two years and 35 for more than one year.
58	4·10	The Committee are glad to note that the Directorate General of Technical Development has recently been merged with the Ministry of Industrial Development and Company Affairs. They hope that this merger would not only result in greater degree of liaison with the Ministry but would also help in promoting the pace of industrialisation and attaining self-reliance at the earliest.

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59	4·19	The Committee note that the information furnished by the Ministry in regard to the achievement of self-sufficiency by manufacturing units is not comprehensive. It indicates that no regular watch is kept on the manufacturing units to see that they achieve the targets of self-sufficiency within the specified time. It is also significant that no penalty attaches to any unit in case of default in this important matter. It is well known that India is a major importer of technical know-how. Most of the industries are dependent on imported components/parts. The maintenance imports have risen from year to year. It is, therefore, important that there should not only be a well conceived and definite programme for achieving self-sufficiency in imported components and parts by each manufacturing unit but a careful watch should also be kept by Government that the programme is actually adhered to.
60	4·20	The Committee would also like Government to intensify the review of the existing foreign collaboration agreements both in the public and private sector with a view to accelerate the achievement of cent per cent indigenous content. The Committee would, however, like to emphasise that in developing the import substitution industry, it should be borne in mind that once the teething troubles are over, the indigenous unit would be able to supply the goods at internationally competitive prices and would not need the crutches of import controls permanently.
61	4·25	The Committee understand that Government have constituted a high powered committee to make recommendations about development of designing facilities and to accord recognition to reputable consultants and designing firms in the country. Having developed a huge complex of basic industries ranging from heavy foundry to heavy fabrication and large capacities for machinery manufacture, chemicals etc., the country is now well placed for developing self-reliance in designing work. The Committee need hardly stress that the high powered Committee's recommendations on this matter of crucial importance should be expedited and that Government should extend every encouragement to make the country self-reliant in designing work, in major industries.

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62	4·28	The Committee would like to recall the recommendations made by them in para 156 of their 48th Report (Third Lok Sabha) on the erstwhile Ministry of International Trade, to the effect that Handbooks containing up-to-date information about indigenous manufacture of various industrial goods and machinery should be brought out annually by the Directorate General of Technical Development. The Committee hope that Government would ensure that every effort would be made to bring out these publications annually and to continuously improve their contents in the light of changing requirements of the industry; care being taken to ensure that the information incorporated therein is accurate and up-to-date.
63	4·35	The Committee feel that Government should take early decision regarding the scrutiny and systematic organisation of data and information for the use of Director General of Technical Development so that he can act truly as a Technical Adviser to both the Ministry of Industry for processing of the application for industrial licence and to the Ministry of Commerce for processing of applications for allocation of foreign exchange for import of capital goods, maintenance goods and raw material for industry.
64	4·41	The Committee are concerned to note that the 'G' return, which provides concrete information about the progress made by various licensed units to achieve production, does not receive careful and detailed consideration which it deserves and that in a substantial number of cases, the return is being disposed of in a routine manner at lower level. The Committee would like Government to ensure that the 'G' return is subjected to a most critical examination at a sufficiently senior level, so that the cases of excessive delay in establishing the industrial unit and achieving licensed production receive close attention and direction.
65	4·45	The Committee are of the view that calling of multiple returns or endorsement of copies to Departments/Ministries/authorities which make little practical use of them, involves infructuous

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		work and unnecessarily burdens productive organisations with avoidable paper work. The Committee need hardly stress that Government should take early decision regarding the supply of 'G' return by manufacturers to Central authorities other than D.G.T.D., who make little practical use of it. It may be advisable to have an inbuilt machinery in each Department|Ministry dealing with manufacturers to ensure that infructuous/multiple returns which serve little practical purpose are not called from manufacturing units.
66	5·17	The Committee are glad to note that some measures have been taken in recent years to effect close co-ordination between the C.S.I.R., D.G.T.D. and the Licensing Committee in order to make sure that foreign collaboration is not allowed in cases, where indigenous know-how is available. The Committee, however, are constrained to note that the Joint Standing Committee for Scientific Research and Industry and the Joint Committee for utilisation of Research Results and Co-ordination have not been functioning effectively. In fact, only one meeting of the Joint Standing Committee for Scientific Research and Industry and one meeting of the Joint Committee for Utilisation of Research Results and Co-ordination have been held on the 31st July, 1965 and 13th March, 1964 respectively. The Committee feel that these Joint Committees should be made more effective. These Committees should meet at least once in six months, if not once a quarter and that there should be a regular follow-up of the decisions taken at these meetings. The Committee see no reason why the Council of Scientific and Industrial Research, which is the convener for these two important Committees, should not show sustained interest in holding these meetings.
67	5·18	The Committee would suggest that careful assessment should be made at periodical intervals, say once a year, of the practical use to which the know-how developed by the national laboratories is put so as to remove all impediments in the exploitation of these processes, as also reorientate research programme in the light of actual requirements of the industry.

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68	6·12	The Committee would like Government to make a most careful review of the guidelines for approval of collaboration agreements, having regard to the present state of development of industrialisation in the country, the foreign exchange resources available with special reference to the critical balance of payment position, the need for encouraging exploitation of know-how developed in national laboratories and other research institutions etc. The Committee would urge Government to identify in detail the industries where foreign collaboration is no longer necessary, as also to indicate areas where foreign technical know-how and designing would be welcome. Government may also examine the question of laying down a minimum percentage of goods to be exported after the establishment of an industrial unit with foreign collaboration. It is also for consideration whether the payment of royalty as also repatriation of dividends should be allowed only through export earnings of the units. It would be helpful if Government could identify processes for which it would be better in the overall interest, to purchase outright the know-how for indigenous exploitation rather than burden the unit with recurring royalty.
69	6·13	The Committee have no doubt that Government would also afford necessary facilities to reputable Indian firms to establish manufacturing units in under-developed areas particularly in Africa, South East Asia, Middle East, etc. so that Indian technology, know-how and experience can be put to effective use in the interest of development of economies of other countries as also to earn valuable foreign exchange.
70	6·18	The Committee note that the Council of Industrial and Scientific Research which has up-to-date information on the development of indigenous know-how is not represented on the Foreign Agreements Committee. They also note that the Secretary of the Department of Atomic Energy, who is a member of the Foreign Agreements Committee, has not attended any meeting of that Committee during the last two years. The Committee would suggest that the composition of the Foreign Agreements Committee may be reviewed to ensure that only those members are appointed

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		whose continuous and actual participation would help in the deliberations of the Committee. Representatives of other ministries/organisations may be invited to attend the meetings of the Foreign Agreements Committee as and when particular subjects of their concern come up for discussion.
71	6·23	The Committee regret to note that there is considerable delay in finalising applications for foreign collaborations. As many as 42 per cent applications in 1965 and 39 per cent in 1966 remained undecided after 6 months of their receipt. Out of these, over 12 per cent in 1965 and over 16 per cent in 1966 were decided after more than a year. It would appear that strict watch is not being kept over the time taken in the disposal of these applications. As delays in the disposal of applications for foreign collaboration are likely to create uncertainty and hesitancy in the minds of prospective investors, the Committee would urge that the whole procedure for securing consent of Government to investment and foreign collaboration may be gone into with a view to make it simplified and less time-consuming.
72	6·26	The Committee cannot too strongly stress that the use of foreign brand names particularly in consumer goods should not be generally allowed as it is apt to adversely affect the indigenous industry.
73	7·12	The Committee note that it is mostly textile and sugar mills of which direct management has been taken over by Government. It would seem that the machinery in these mills is old and needs replacement and rationalisation for some time. While the Committee agree that the defaulting industrial undertakings should be taken over by Government in accordance with the provisions of the Industries (Development and Regulation) Act in the public interest, they would emphasise that before taking over, Government should probe thoroughly and expeditiously into their working with a view to afford all facilities, including financial assistance by way of loans, if necessary, to such units as are defaulting or have become uneconomical due to obsolute machinery/equipment, high cost of imported components, non-availability of scarce raw materials etc.

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74	7·13	In order that the units taken over are reorganised and run on sound and economic lines, the Committee would like to be ensured that only such personnel as have adequate knowledge and experience of the working of the units concerned are appointed. This, the Committee feel, would hasten the handing over of the units concerned back, after rehabilitation, to the existing or alternate management of the shareholders within the prescribed period. The Committee further suggest that in the interest of smooth and efficient functioning the feasibility of association of workers in the management set up by Government may be examined.
75	7·14	The Committee also recommend that the desirability of Government assuming powers for taking over management of projects which are yet in the construction stage and are suffering due to mismanagement, death of the principal promoter, etc. may be examined so as to ensure an effective control over them from the very beginning.
76	7·38	The Committee are of the view that the major limitation to the fuller utilisation of the industrial capacity established in the country during the last three Plan periods has been the shortage of imported components, raw materials and spare parts. The situation in recent years has all the more worsened due to tight position of foreign exchange. While there can be no dispute with the Government, in the present day scarcity conditions, assuming the powers to control production, distribution and prices of industrial commodities, particularly of basic industries, the Committee consider that howsoever necessary these controls may be, they tend to introduce rigidities which besides discouraging expansion of output, leading to wasteful use of the products and black-marketing, often impair efficiency and initiative on the part of all concerned. The Committee need hardly stress that the question of controlling production, distribution and prices of industrial products should be approached in a pragmatic and positive manner so as to ensure that in these days of economic crisis, not only the producer and the consumer derive the maximum satisfaction but the overall economy of the country shows significant improvement in production

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		capability. The Committee would suggest that the controls may be constantly reviewed so that the needless ones are eluminated and others relaxed or intensified in the light of changing conditions. The Committee feel that recent changes in Industrial Policy (*e.g.* selective relaxation made in respect of industrial licensing, liberalisation of imports for the priority industries, decontrol of cement and steel, etc.) are steps in the right direction and would create a hospitable environment for stepping up production capacity.
77	7·39	In the matter of prices of industrial products it is essential that stringent measures are taken to control them at a reasonable level. A significant feature of the commodity control is evident in the case of cement, soaps, vanaspati etc. supplies where Government have been able to persuade the organised sector of the industry to practise voluntary price control. The Committee however consider it important that there should be a clear cut policy with regard to voluntary price controls as neither in the Third Five Year Plan nor in the industrial policy Resolution, 1956, any mention has been made of resort to such type of controls.
78	8.20	The Committee are glad to note that a number of Public Sector Undertakings have formulated plans to develop ancillaries. They would emphasise that Government should keep a close watch over the progress achieved by public undertakings in this matter so that the country is made less and less dependent on imports of components, spares, etc. The Committee hope that likewise the private sector industries would also pay greater attention to the development and setting up of ancillary industries. The Committee have comprehensively dealt with the subject of ancillaries in Chapter II of their 106th Report (Third Lok Sabha) on Small Scale Industries and have made a number of recommendations for their development, both in public and private sectors. They hope that with the implementation of the suggestions made by the Committee, the ancillary industries would be able to play an effective role in the industrialisation of the country.

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79	9·11	The Committee note that though the rules provide for at least one meeting of Central Advisory Council in a year, there have been occasions when meetings of the Council were held after an interval of 14 months. The Central Advisory Council provide a useful forum where industry comes in contact with Governmental machinery and should be taken into confidence on matters regarding the development and regulation of scheduled industries. They recommend that to enable the Council to play an effective role it should, as far as possible, meet more frequently and at regular intervals—say once in a 6 months—so that Government may have more opportunities to understand the problems facing the industry and take effective and remedial measures to step up industrial production in the country and to devise dynamic strategies for industrial growth.
80	9·12	The Central Advisory Council consists of persons well connected with the industry; it is therefore of utmost importance that Government should show sustained interest in its working. As the decisions taken by the Central Advisory Council are of far-reaching importance to the economy of the country, the Committee consider that Government should also examine the desirability of inclusion of members of representative associations/bodies of trade and industry in the Council so that the views and reactions of these apex bodies on complex problems facing the industry are available for drawing up future industrial programme.
81	9·13	To enable the Council to work effectively, it is also important that it is provided with full and up-to-date information on matters connected with industries. The Committee would also emphasise that there should be a regular follow-up of the decisions taken at the meetings of the Central Advisory Council.
82	10·14	The Committee note that the last review of the Development Councils was made in 1964 and as a result thereof 5 Development Councils were abolished. The Committee suggest that such reviews should be a regular feature—say at least once in 5 years—with a view not only to assess the usefulness of the existing councils but also to effect economy and improvements in their

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		working. Now that a number of industries have been exempted from the licensing provisions of the Industries (Development and Regulation) Act, the Committee suggest that Government should examine early whether there is still need for the Development Councils to continue in their case.
83	10·23	The Committee note that there is no set time schedule for holding meetings of development councils. There are instances of some development councils having not met at all during the whole year. The Committee fully endorse the views of the Study Team on D.G.T.D. that the development councils/panels should hold at least one meeting in six months and should have the following standing items on their agenda:— (i) implementation of recommendations made in the previous meetings; (ii) import substitution; (iii) export promotion; and (iv) productivity problems. The Committee are also of the opinion that wide publicity should be given to the working of the development councils among the industry and trade associations and chambers of commerce and suggest that copies of their annual reports should be endorsed regularly to them in general and to the apex organisations of industry in particular.
84	10·27	The Committee regret to note the failure of Government for not having taken any action so far to declare the Development Councils a "Corporate body" in terms of the provisions of Section 6(3) of the Industries (Development and Regulation) Act, 1951. They urge that necessary action may now be taken in this regard.
85	10·28	The Committee are glad to note that Government have already accepted the recommendations of the Study Team on D.G.T.D. (Mathur Committee) for strengthening the secretariats of the Development Councils and also to effect improvements in their working. They hope that the suggestions made by the Study Team in this regard would be given effect to at an early date.

APPENDIX XXII

(*Vide* Introduction)

Analysis of Recommendations/Conclusions contained in the Report

I. CLASSIFICATION OF RECOMMENDATIONS

A. Recommendations for improving the Organisation and Working

Serial Nos. 1—14, 18, 19, 21, 22, 23, 26, 27, 30—37, 39, 41—52, 55, 58, 59, 61, 62—68, 70—76 and 78—85.

B. Recommendations for effecting economy:
Serial Nos. 15, 16, 17, 20, 24, 25, 28, 38, 40, 54, 56, 60, 69 and 77.

C. Miscellaneous Recommendations:
Serial Nos. 29, 53 and 57.

II—ANALYSIS OF THE RECOMMENDATIONS DIRECTED TOWARDS ECONOMY:

Sl. No:	S.No. as per summary of recommendations Appx.XXI	Particulars
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1	15	Government should examine the reasons for accumulation of unsold stock with the machine-building industry, particularly the HMT and determine whether the accumulation is ascribable to any deficiency in after-sales services or non-availability of spare parts or inability to meet customers' modifications or due to lack of diversification of products. HMT should carefully analyse the imports with a view to see which additional machineries which are at present being imported in large numbers could be taken up for manufacture indigenously in the context of the development programme for the Plan.
2	16	Government and the industries in the public sector and private sector should formulate a scheme for co-operative research so that the machinery manufactured in the country can keep abreast of developments in the world and maintain their competitive position in efficiency, production and cost.

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3	17	Keeping in view the specialised nature of alloy steels and the need for competitive prices in the basic sector, wide publicity should be given to the capacity still remaining to be licensed so as to attract applications on competitive basis. The applications should be examined strictly on the basis of economy in capital costs, including foreign exchange components and unit cost of production, based on the techno-economic feasibility reports enclosed with the applications so to license the most competitive and sound unit for production.
4	20	In view of the scarcity of foreign exchange which is likely to continue for quite a long time greater emphasis should be placed on substituting imported metals by aluminium where technically feasible.
5	24	Constant efforts should be made to bring down the cost of production of fertilisers in the country at par with the cost of production in other countries. In comparing international costs, at least the f.o.b. cost should be taken into account and not the c.i.f. price.
6	25	Government should ensure that fertilisers are made available to the cultivators at reasonable prices so that the cost of production of food does not go high. There is no doubt that if fertilisers are made available at economic prices, the Indian farmer would not be slow in making full use of them to step up production and bring the proclaimed goal of self-sufficiency within reach.
7	28	With the increase in indigenous content concerted efforts should be made to bring down the cost of production of automobiles in consultation with the industry so as to make them competitive in quality and price with those manufactured abroad.
8	38	In order to eliminate infructuous work a suitable fee should be prescribed for registration of applications.

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9	40	At the present stage of development of Indian economy it is essential that emphasis should be placed on establishment of most competitive industrial units so that the end-products are available to the public at competitive and low prices. Government should evolve a suitable procedure for inviting applications by public notice from prospective entrepreneurs who should be given adequate time to enclose with their applications feasibility reports indicating the capital cost, the foreign exchange components, the cost and sale price per unit etc. so that applications may be judged on the basis of their competitiveness.
10	54	Government should earnestly consider the suggestion that the expansion programme submitted by established units should be expeditiously considered and where found acceptable, letters of intent covering the entire expansion programme issued provided this does not encourage and create monopolies.
11	56	At the present stage of development of the country, the need for bringing about reduction in prices of goods is of paramount importance. The interests of the country, as a whole, would be best served if the location or relocation of an industry is decided by the logic of economic factors.
12	60	Government should intensify the review of the existing foreign collaboration agreements both in the public and private sectors with a view to accelerate the achievement of cent per cent indigenous content.
13	69	Government should afford necessary facilities to reputable Indian firms to establish manufacturing units in under-developed areas particularly in Africa, South East Asia, Middle East etc. so that Indian technology, know-how and experience can be put to effective use in the interest of development of economies of other countries as also to earn valuable foreign exchange.
14	77	In the matter of prices of industrial products it is essential that stringent measures are taken to control them at a reasonable level.

GMGIPND—L S I—1222 (Aii) LS—22-7-67—1250.